

Get Ready for Some Holiday Deals!

Remember the bullwhip effect? Retailers and wholesalers massively over-ordered merchandise following supply chain shocks just as the stimulus sugar high began waning. The missteps led to a severe inventory problem at several retailers, who warned of impacts on margins as they get ready to clean up mistakes.

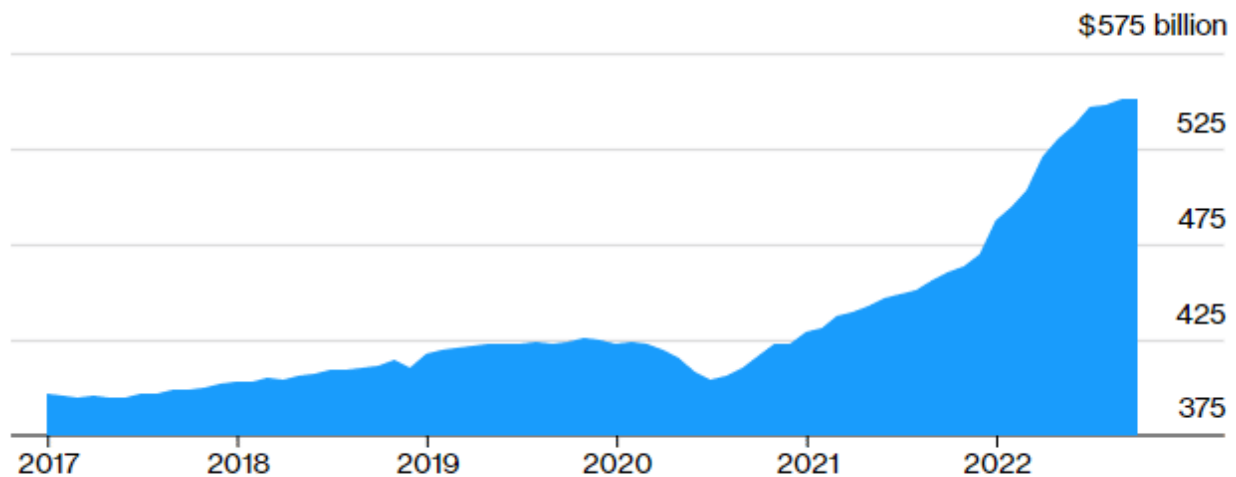
The holiday season is quickly approaching, which means it's time for retailers to buckle down on their inventory overhang. How so? Deals! And lots of them. Discounts may get competitive as retailers fight to move inventory, with discretionary incomes still being squeezed by inflation. Some could be in store for large losses as massive brands race to liquidate high-cost inventory in a demand-constrained environment. Per [Bloomberg](#) yesterday:

“Even just in the past three days, we’ve seen some of the biggest or most valuable brands in the world contact us for help with excess inventory,” Kaplan said. “It’s a full tidal wave at this point. We need the customer to be spending, and until that happens, the product’s not going to move.”

US Retail Inventories Surge

Stockpiles at retailers exceed \$550 billion this year

■ Retail inventories, ex-autos



Source: US Census Bureau



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What To Watch Today

Economy

- 7:00 a.m. ET: **MBA Mortgage Applications**, the week ended Nov. 4 (-0.8% prior)
- 10:00 a.m. ET: **Wholesale Trade Sales**, month-over-month, September (0.4% expected, 0.1% prior)
- 10:00 a.m. ET: **Wholesale Inventories**, month-over-month, September Final (0.8% expected, 0.8% prior)

Earnings

Company	Actual	Estimate	Growth	Surprise	Guidance
✓ HMC Honda Motor Co., Ltd.	\$0.80	\$30.82 B	\$0.91	\$29.65 B -0.3%	-12.1% ↓
✓ MFC Manulife Financial Co...	5:00 PM ET \$0.53	\$11.51 B		-9.3%	+ = -
✓ PFGC Performance Food Gr...	\$1.08	\$14.72 B	\$0.79	\$14.42 B 41.7%	36.7% 📦
✓ DHI D.R. Horton, Inc.	\$4.67	\$9.64 B	\$5.06	\$10.18 B 18.9%	-7.7%
✓ UGP Ultrapar Participaes ...	6:00 PM ET -	-	-	-	+ = -
✓ CPNG Coupang, Inc.	4:05 PM ET (\$0.03)	\$5.15 B		10.9%	+ = -
✓ GGB Gerdau S.A.	BMO \$0.37	\$4.12 B		1.0%	+ = -
✓ RCI Rogers Communicati...	\$0.64	\$2.87 B	\$0.69	\$2.90 B -1.4%	-7.2%
✓ TRP TC Energy Corporation	\$0.82	\$2.91 B	\$0.75	\$2.69 B 13.2%	9.3%
✓ GIB CGI Group Inc. Subor...	\$1.20	\$2.49 B	\$1.18	\$2.51 B 4.2%	1.7%
✓ BRFS Brf-Brasil Foods S.A.	5:30 PM ET \$0.30	\$2.60 B		9.6%	+ = -
✓ SPTN SpartanNash Company	\$0.55	\$2.30 B	\$0.47	\$2.19 B 10.8%	17.0% 📦
✓ EBR Eletrobrás	AMC -	-	-	-	+ = -
✓ ICL ICL Group Ltd	\$0.49	\$2.52 B	\$0.45	\$2.47 B 40.7%	8.9%
✓ HBI HanesBrands Inc	\$0.29	\$1.67 B	\$0.29	\$1.71 B -6.6%	0.0% ↓
✓ NGL NGL Energy Partners...	4:25 PM ET \$0.08	\$2.45 B		39.7%	+ = -
✓ UHAL AMERCO	4:15 PM ET \$20.62	-	-	-	+ = -
✓ JXN Jackson Financial Inc.	4:15 PM ET \$2.75	\$1.43 B		-3.8%	+ = -
✓ CPRI Capri Holdings Limited	\$1.79	\$1.41 B	\$1.55	\$1.40 B 8.6%	15.5% 📦
✓ STE STERIS Corp.	4:30 PM ET \$2.00	\$1.22 B		1.9%	+ = -
✓ BHG BRIGHT Health Group	(\$0.35)	\$1.63 B	(\$0.40)	\$1.77 B 51.3%	12.5% ↓
✓ G Genpact Limited	4:00 PM ET \$0.70	\$1.08 B		6.3%	+ = -
✓ WYNN Wynn Resorts Ltd	4:00 PM ET (\$1.20)	\$852.25 M		-14.3%	+ = -
✓ ADV Advantage Solutions,...	4:05 PM ET \$0.18	\$1.06 B		14.1%	+ = -
✓ HGV Hilton Grand Vacation...	\$1.24	\$1.12 B	\$0.75	\$906.05 M 20.3%	65.3%
✓ TTEK Tetra Tech Inc.	4:00 PM ET \$1.17	\$714.20 M		-19.9%	+ = -
✓ SWX Southwest Gas Corp.	(\$0.05)	\$1.13 B	\$0.36	\$1.09 B 26.7%	-113.9%
✓ CLMT Calumet Specialty Pr...	\$0.59	\$1.17 B	\$0.46	\$1.08 B 33.2%	28.3%
✓ KGC Kinross Gold Corp.	5:00 PM ET \$0.06	\$3.78 B		338.3%	+ = -
✓ JAZZ Jazz Pharmaceutical...	4:05 PM ET \$4.35	\$939.88 M		12.1%	+ = -
✓ MIDD Middleby Corp.	\$2.18	\$992.87 M	\$2.36	\$1.02 B 21.4%	-7.6%
✓ ENS EnerSys	4:15 PM ET \$1.09	\$889.95 M		12.5%	+ = -
✓ RXT Rackspace Technolo...	4:10 PM ET \$0.09	\$773.42 M		1.4%	+ = -
✓ TGNA TEGNA Inc.	\$0.65	\$803.11 M	\$0.72	\$843.00 M 6.2%	-9.7%
✓ APP AppLovin Corporation	4:05 PM ET \$0.09	\$741.35 M		2.0%	+ = -
✓ WES Western Midstream P...	BMO \$0.80	\$821.83 M		14.3%	+ = -
✓ NOMD Nomad Foods Limited	\$0.52	\$765.60 M	\$0.44	\$720.58 M 8.3%	18.2% 📦
✓ WWW Wolverine World Wid...	\$0.48	\$691.40 M	\$0.57	\$715.64 M 8.6%	-15.8% ↓
✓ VZIO VIZIO Holding Corp.	4:05 PM ET \$0.01	\$436.65 M		-25.8%	+ = -
✓ ATO Atmos Energy Corp.	4:35 PM ET \$0.45	\$563.26 M		-0.9%	+ = -
✓ TTEC TTEC Holdings, Inc.	4:05 PM ET \$0.55	\$580.16 M		2.4%	+ = -
✓ RDFN Redfin Corporation	4:00 PM ET (\$0.85)	\$603.78 M		11.8%	+ = -
✓ CANO Cano Health, Inc.	4:40 PM ET (\$0.04)	\$712.06 M		35.2%	+ = -
✓ SEAS SeaWorld Entertainm...	\$1.99	\$565.21 M	\$2.19	\$579.77 M 8.4%	-9.1%
✓ BGS B&G Foods Inc.	4:05 PM ET \$0.31	\$533.20 M		3.5%	+ = -
✓ RBLX Roblox Corporation	(\$0.50)	\$517.71 M	(\$0.37)	\$694.88 M 1.6%	-35.1%
✓ WEN Wendy's International...	\$0.24	\$532.57 M	\$0.23	\$542.23 M 13.3%	4.3% 📦
✓ PAAS Pan American Silver ...	6:30 PM ET (\$0.06)	\$355.95 M		-22.7%	+ = -
✓ FOA Finance of America C...	(\$0.19)	\$71.10 M	(\$0.09)	\$224.45 M -84.4%	-111.1%
✓ VET Vermilion Energy Inc.	4:10 PM ET \$1.63	\$2.87 B		571.0%	+ = -
✓ DSKE Daseke, Inc.	\$0.17	\$462.80 M	\$0.30	\$466.50 M 9.0%	-43.3% 📦
✓ TAST Carrols Restaurant G...	(\$0.14)	\$443.96 M	(\$0.19)	\$441.29 M 5.3%	26.3%
✓ FOR Forestar Group Inc.	\$1.02	\$381.40 M	\$0.48	\$289.77 M -8.9%	112.5%
✓ RNG RingCentral, Inc.	4:00 PM ET \$0.50	\$502.93 M		21.3%	+ = -
✓ AVAH Aveanna Healthcare ...	7:10 PM ET \$0.04	\$446.78 M		8.6%	+ = -
✓ COHR Coherent Inc.	\$0.72	\$1.34 B	\$0.68	\$1.35 B 243.3%	5.9% 📦
✓ LTH Life Time Group Holdi...	(\$0.07)	\$496.38 M	(\$0.09)	\$498.85 M 28.9%	22.2% 📦
✓ WISH ContextLogic Inc.	4:05 PM ET (\$0.16)	\$119.04 M		-67.7%	+ = -
✓ WD Walker & Dunlop, Inc.	\$1.40	\$315.61 M	\$2.00	\$344.86 M -8.9%	-30.0%
✓ ALE ALLETE, Inc.	\$0.59	\$388.30 M	\$0.69	\$353.18 M 12.4%	-14.5% 📦
✓ GDOT Green Dot Corporation	4:05 PM ET \$0.21	\$326.52 M		-3.8%	+ = -

Market Trading Update

Yesterday, stocks broke above the 50-dma resistance but failed at the downtrend line from the August peak. This morning stocks are set to open slightly lower but look to hold the 50-dma support at the open. With markets not overbought, there is reason to expect the current rally to continue, with the 100-dma being the initial objective. The CPI report tomorrow will likely decide the fate of this rally short term.



TradingView

The Fed Giveth and the Fed Taketh Away

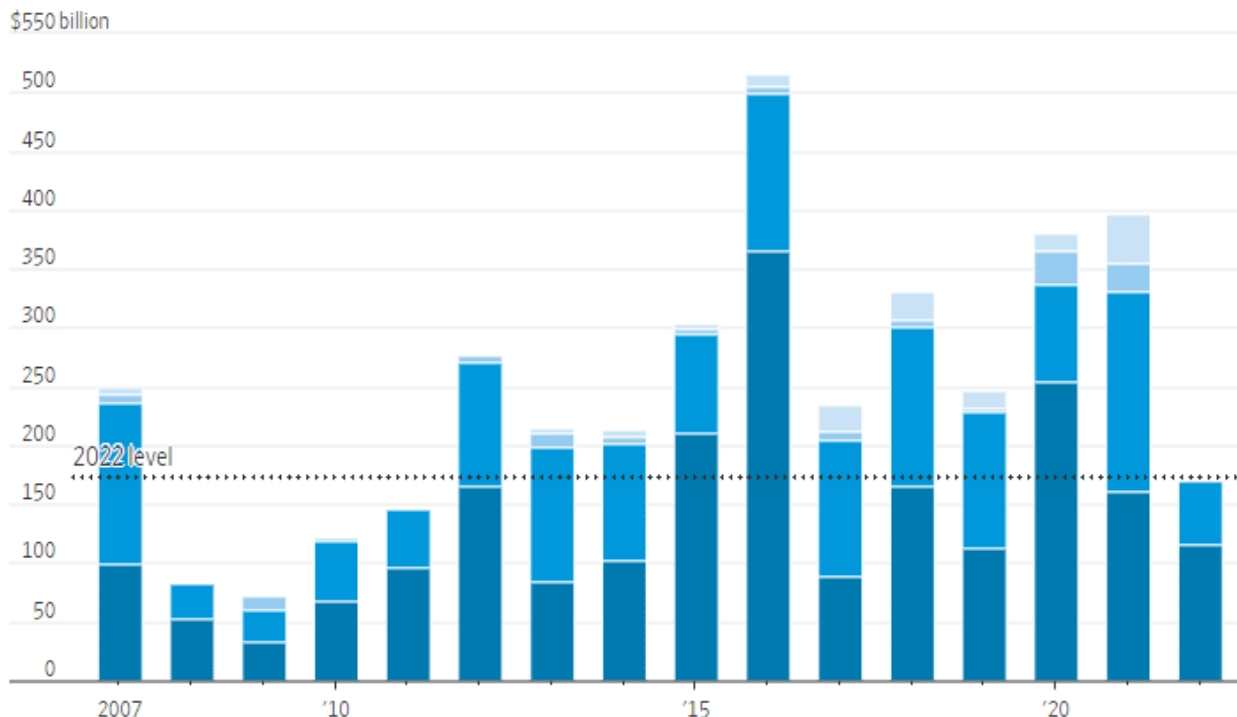
Capital markets activity surged throughout 2020 and 2021 as companies welcomed cheap debt and voracious investor risk-appetite. This was, of course, courtesy of the Fed's response to the Pandemic. While we wait for rate hikes and QT to flow through to the real economy and CPI, let's see how they are already impacting capital markets.

Skyrocketing financing costs and economic uncertainty have curbed capital markets activity to a trickle recently, according to the [Wall Street Journal](#). Mergers and acquisitions activity fell 43% through September and October versus the same period last year. Even more alarming, IPO activity dropped 95% from last October as the Fed's liquidity drain takes a toll on risk-appetite. October hasn't seen this little activity since 2011- the hangover is kicking in now that the Fed is taking the punch bowl away. Get ready for a rough 2023 in investment banking.

?The new reality has crashed down on companies and their investors in a matter of months. Bankers and private-equity firms have gone from funding takeovers at lofty prices with ease to scrambling to raise debt at any price.?

Capital-markets activity in October

■ M&A ■ Leveraged loans ■ IPOs ■ CLOs



Source: Dealogic

Treasuries Got You Spooked? Consider This Chart

Treasury debt is traditionally a risk-off investment that offers protection through stock market downturns. This year has been quite different, however, with Treasuries seeing their worst year in over a century amidst a correction in stocks. The chart below, courtesy of Michael Venuto, plots annual total return of the 10-Year Treasury note going back to the late 19th century.

Every time the total return was less than -5% in a year, the subsequent year provided a positive total return. In many cases, investors were rewarded with a relatively large total return in the next year. This chart isn't to suggest you should go put your entire portfolio in long-term Treasuries, but to show that based on historical returns, the risk-reward dynamics look quite favorable after a year like we've experienced. For those risk-averse investors who might be second-guessing whether Treasuries have a place in their portfolio after this year, to shy away now could be costly.

?This afternoon, FTX asked for our help. There is a significant liquidity crunch. To protect users, we signed a non-binding LOI, intending to fully acquire <http://FTX.com> and help cover the liquidity crunch. We will be conducting a full DD in the coming days.?

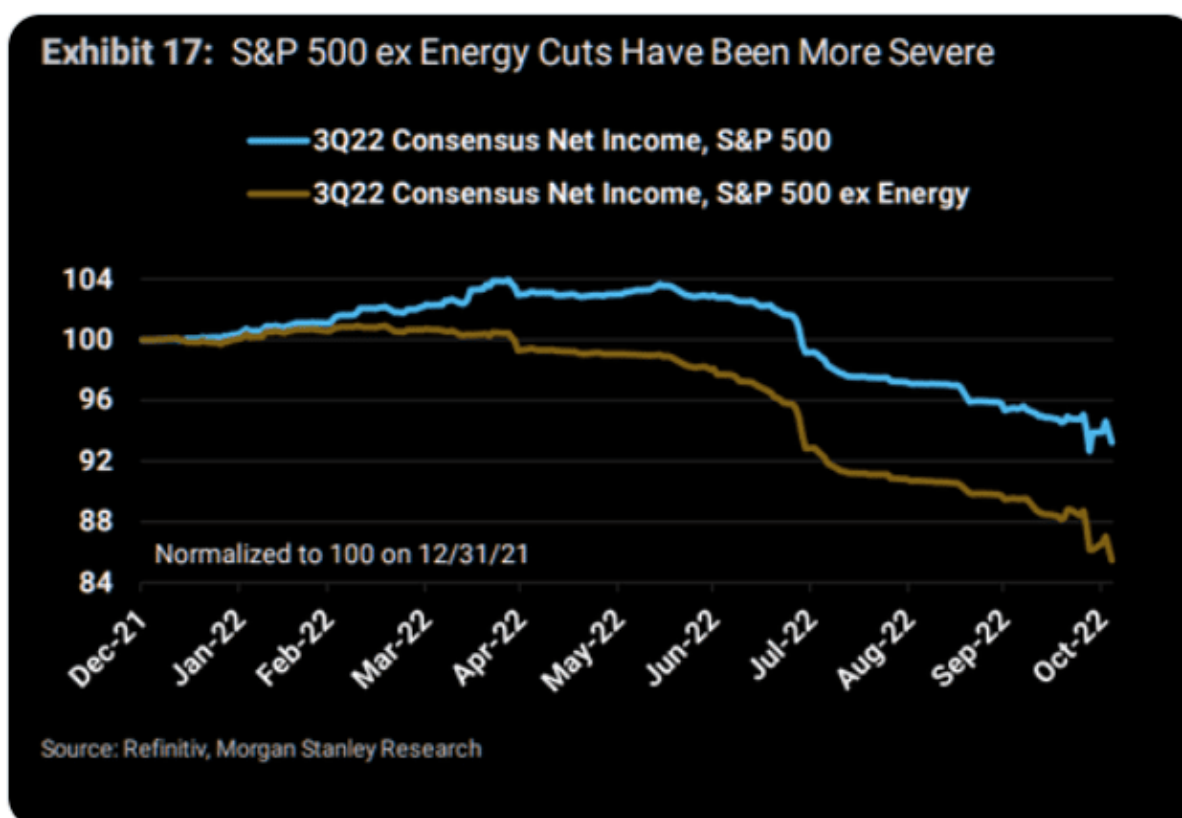
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Lance Roberts
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...

If it wasn't for [#energy](#), the [#earnings](#) decline would be much greater.



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