



***This commentary did not get emailed out yesterday, please accept our apologies.
The data has been updated for this mornings reading.***

Michael Burry, who made a fortune shorting the subprime market in 2008, and was made popular in Michael Lewis's book and movie *The Big Short*, is at it again. The quarterly SEC 13-F holdings report for Bury's \$1.7 billion hedge fund shows that he is short approximately \$1.6 billion of the S&P 500 (SPY) and Nasdaq (QQQ). Given his track record, as glorified in *The Big Short*, the media headlines quickly shared his seemingly massive bearish \$1.6 billion trades. We presume quite a few investors may be second-guessing their equity positioning. If you are in this camp, take a step back and let us explain what he did.

To try to quantify Burry's latest "big short," we provide a few possibilities for what he bought and their costs. We do not know the exact options he purchased. However, our estimate below likely does a good job of approximating the cost. Assuming Burry bought the most expensive options of those listed below, providing protection for a 1-2% decline through November, his total cost would be \$42,100,000. Bury's "big short" comes at a relatively minimal cost of approximately 2.5% of the value of his portfolio. While the nominal value of the options, \$1.6 billion, sounds huge, his real risk pales in comparison to his 2008 subprime bets.

Estimated Cost \$ Of The "Big Short"					
Current SPY 444.63			Current QQQ 368.05		
	Expiration			Expiration	
Strike	October	November	Strike	October	November
440	\$ 19,420,000	\$ 20,660,000	360	\$ 17,160,000	\$ 21,440,000
430	\$ 11,700,000	\$ 15,200,000	350	\$ 11,960,000	\$ 16,040,000
420	\$ 8,360,000	\$ 11,660,000	340	\$ 8,520,000	\$ 12,380,000
410	\$ 6,000,000	\$ 8,840,000	330	\$ 6,220,000	\$ 11,100,000

What To Watch Today

Earnings

Time	Symbol	Company Name	Market Cap ▼	Fiscal Quarter Ending	Consensus EPS+ Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS+
🌞	WMT	Walmart Inc.	\$428,645,493,128	Jul/2023	\$1.69	14	8/16/2022	\$1.77
🔄	AMAT	Applied Materials, Inc.	\$117,631,817,893	Jul/2023	\$1.73	11	8/18/2022	\$1.94
🔄	ROST	Ross Stores, Inc.	\$39,568,630,170	Jul/2023	\$1.16	10	8/18/2022	\$1.11
🔄	KEYS	Keysight Technologies Inc.	\$27,987,684,750	Jul/2023	\$1.89	5	8/17/2022	\$1.90
☹️	AEG	Aegon NV	\$14,393,494,594	Jun/2023		N/A	8/11/2022	(\$0.20)
🌞	NICE	NICE Ltd	\$13,666,250,667	Jun/2023	\$1.56	5	8/18/2022	\$1.33
🔄	BILL	BILL Holdings, Inc.	\$11,606,833,537	Jun/2023	(\$0.23)	8	8/18/2022	(\$0.58)
🌞	TPR	Tapestry, Inc.	\$9,642,788,480	Jun/2023	\$0.96	7	8/18/2022	\$0.78
☹️	PSNY	Polestar Automotive Holding UK Limited	\$8,165,475,540	Jun/2023		3	N/A	N/A
🔄	GLOB	Globant S.A.	\$7,127,567,400	Jun/2023	\$1.10	8	8/18/2022	\$0.95
☹️	GRFS	Grifols, S.A.	\$7,068,064,454	Jun/2023		N/A	7/28/2022	\$0.14
🌞	BILI	Bilibili Inc.	\$6,171,224,709	Jun/2023	(\$0.49)	2	9/08/2022	(\$0.85)
🌞	MSGS	Madison Square Garden Sports Corp.	\$4,999,685,580	Jun/2023	\$0.02	3	8/18/2022	\$1.11
☹️	TKC	Turkcell Iletisim Hizmetleri AS	\$4,312,000,000	Jun/2023		N/A	8/18/2022	\$0.13
🌞	LITE	Lumentum Holdings Inc.	\$3,527,058,000	Jun/2023	\$0.14	7	8/16/2022	\$1.15
🔄	CAAP	Corporacion America Airports SA	\$2,266,235,600	Jun/2023		3	N/A	\$0.43
🌞	TRMD	TORM plc	\$2,214,763,000	Jun/2023		3	N/A	\$1.31
🌞	BORR	Borr Drilling Limited	\$2,135,784,000	Jun/2023		3	N/A	(\$0.27)
🔄	FTCH	Farfetch Limited	\$1,794,784,900	Jun/2023	(\$0.36)	5	8/25/2022	(\$0.36)
🌞	SGHC	Super Group (SGHC) Limited	\$1,540,395,900	Jun/2023	\$0.04	1	8/11/2022	\$0.12
☹️	MDRX	Veradigm Inc.	\$1,488,118,149	Jun/2023	\$0.16	1	8/04/2022	\$0.12
🌞	ARCO	Arcos Dorados Holdings Inc.	\$1,411,677,900	Jun/2023	\$0.14	1	8/10/2022	\$0.07
🌞	DOLE	Dole plc	\$1,274,507,000	Jun/2023	\$0.37	2	8/23/2022	\$0.44
🌞	EH	EHang Holdings Limited	\$1,192,508,907	Jun/2023		3	N/A	(\$0.20)
☹️	AGRO	Adecoagro S.A.	\$1,145,744,998	Jun/2023		N/A	8/11/2022	\$0.39

Economics

Time	Event	Impact	Actual	Dev	Consensus	Previous
THURSDAY, AUGUST 17						
12:30	🇺🇸 USD Continuing Jobless Claims(Aug 4)	🟡	-	-	1.7M	1.684M
12:30	🇺🇸 USD Initial Jobless Claims(Aug 11)	🟠	-	-	240K	248K
12:30	🇺🇸 USD Initial Jobless Claims 4-week average(Aug 11)	🟡	-	-	-	231K
12:30	🇺🇸 USD Philadelphia Fed Manufacturing Survey(Aug)	🟠	-	-	-10	-13.5
14:30	🇺🇸 USD EIA Natural Gas Storage Change(Aug 11)	🟡	-	-	-10B	29B
15:30	🇺🇸 USD 4-Week Bill Auction	🟡	-	-	-	5.28%

Market Trading Update

Given the short-term oversold condition, the initial rally off the 50-DMA on Monday was unsurprising. However, Tuesday's stronger-than-expected retail sales data ignited concerns that the Federal Reserve may have to continue hiking rates to keep inflation under control. On Wednesday, the FOMC minutes further confirmed fears the Fed may remain hawkish much longer than expected. Those worries pushed the market through the 50-DMA decisively, which now sets up the next test for the bull market.

So far, the sell-off remains orderly, and there is no reason to be overly concerned about the current correction. However, if the market cannot regain the 50-DMA by the week's end, the next logical support level will be the 100-DMA. As we had discussed for several weeks heading into the market peak, the correction was, and remains, both expected and normal, given the runup earlier

this year. We continue looking for opportunities to rebalance and increase equity exposure accordingly.



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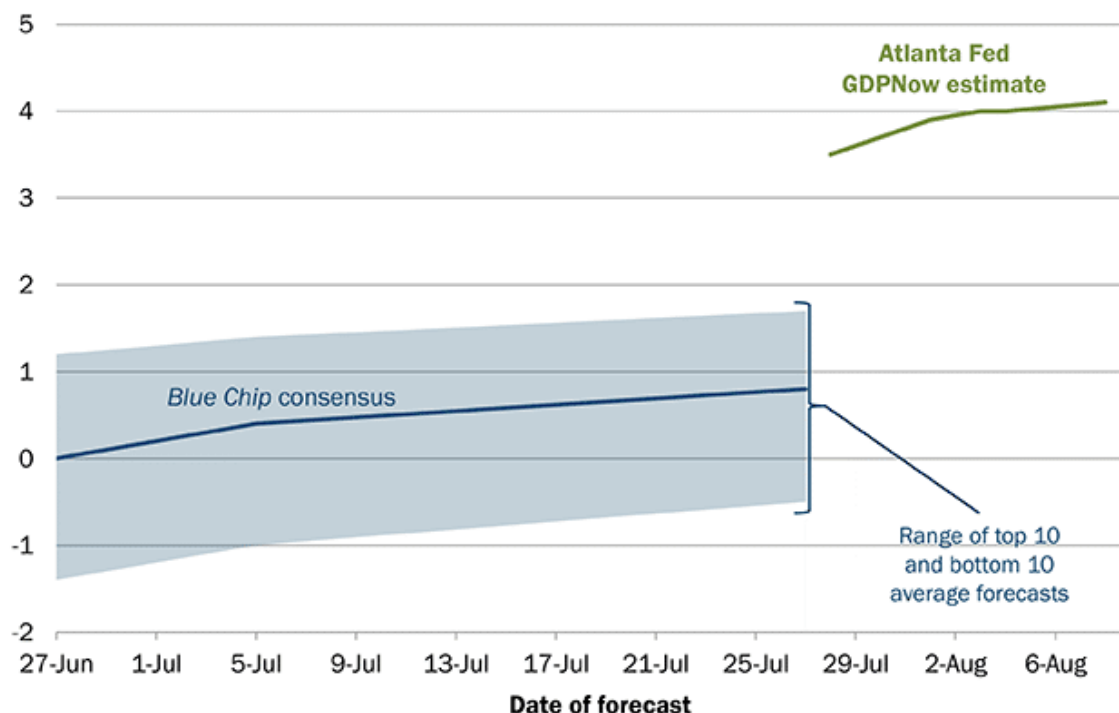
Retail Sales Are Hot

The latest retail sales report came in stronger than expected, leaving little doubt that the economy continues to remain robust. Monthly retail sales rose by +0.7% for July, better than the +0.4% estimate and the highest monthly growth rate since January. Excluding food and energy, it grew at its fastest pace since February 2022. The control group, which is used in the GDP calculation, was up 1% versus double estimates of +0.5%.

The latest Atlanta Fed's GDPNow estimate of Q3 GDP growth is now over 4%. Interestingly, despite relatively robust economic data and higher oil prices, the Fed Funds futures market implies an 11% chance the Fed will hike rates at the next meeting. Those odds actually fell slightly from earlier in the week. We suspect Wall Street economists will up their Q3 GDP forecasts in the coming weeks.

Evolution of Atlanta Fed GDPNow real GDP estimate for 2023: Q3

Quarterly percent change (SAAR)

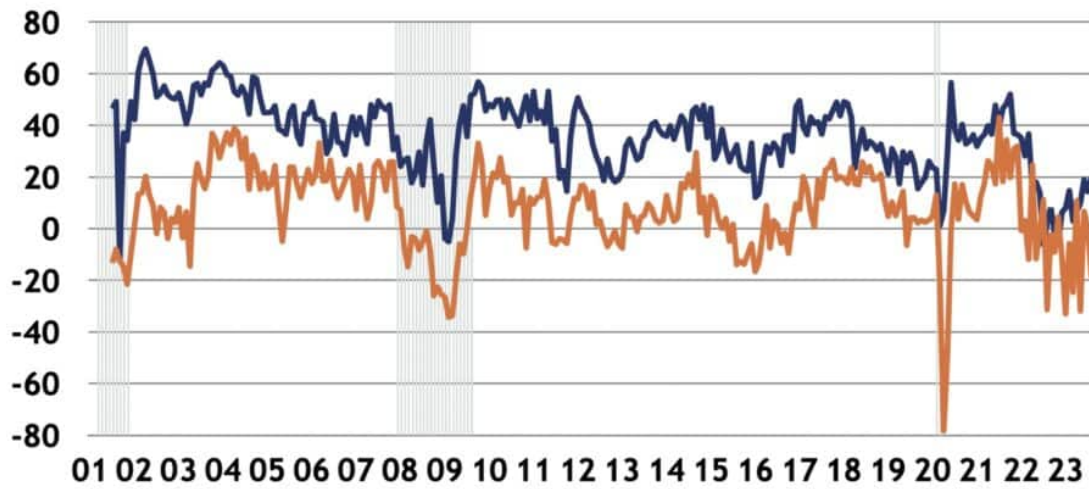


The Empire Manufacturing Survey is Cold

In contrast to the strong Retail Sales report, the New York Fed's August Empire Manufacturing Index was sharply lower at -19 versus estimates of -1. It was +1.1 in July. New orders sank to -19.9, shipments fell to -12.3, and the workweek dropped to -10.7. Employment is now back in contraction territory. While the survey respondents are sour on current conditions, their outlook continues to improve. As shown below, future business expectations are at their highest level in a year. As we have noted, the manufacturing sector has been in a recession for the better part of the year. However, economic activity and employment in the service sector have been more than offsetting the manufacturing sector, resulting in a relatively strong GDP.

Empire State Manufacturing Survey

Diffusion Index



— Current Business Conditions ■ Recession ■
— Future Business Conditions

Note: An index of 0 or over indicates that manufacturing is expanding, while an index below 0 indicates that it is declining.

Source: Federal Reserve Bank of New York

Dr Thomas K Swift

Tweet of the Day



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World cant dedollarize w/o deleveraging.

Cant deleverage w/o deflation.

System cant survive deflation bc debt based & must grow or die.

When debt based system deflates underlying collateral rises.

Underlying collateral of system is USD.

So...world cant dedollarize w/o USD rising.



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