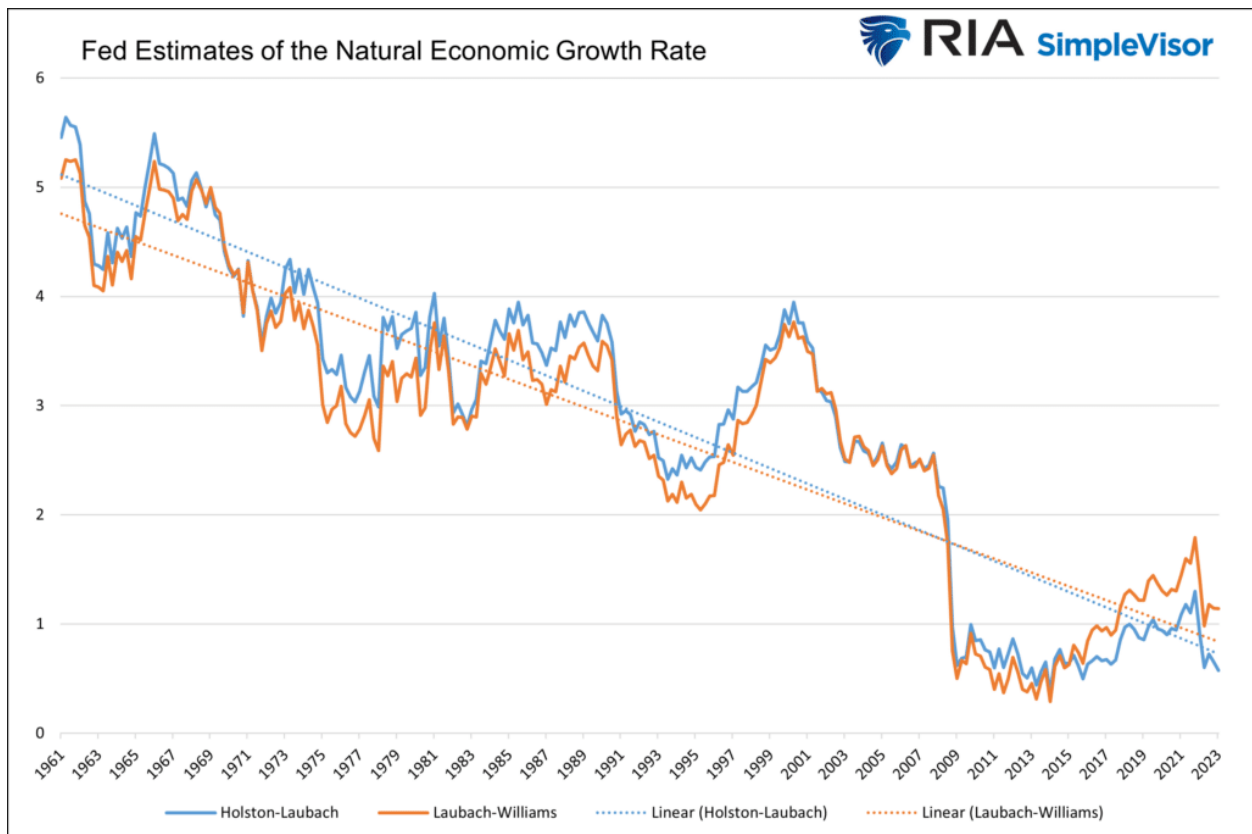


Jerome Powell presents the Fed's keynote speech for its annual Jackson Hole symposium this morning. It is widely expected he will continue to discuss familiar themes such as sticky inflation and the need to keep rates higher for longer. He will likely favor another rate hike or two if needed to slow economic activity and Inflation. It's also probable he continues to push out the timeline for rate cuts well into 2024. We think any discussion of the neutral interest rate could be the headline-maker from his speech.

The neutral rate is a hypothetical interest rate that matches the supply and demand for capital. Most economists believe the neutral rate equals the natural economic growth rate. Some Fed members think it should be increased. They believe the nation's natural economic growth rate will be higher than it has been. Powell has previously poo-pooed the neutral rate, saying that using it to administer monetary policy is akin to "*navigating by the celestial stars.*" While not expected, if Powell supports a higher neutral rate, bond yields may rise, as he implies higher inflation is here to stay. The graph below charts two Fed estimates of the natural economic growth rate. Both estimates show a clear downward trend. Therefore, we must ask higher-rate supporters why economic trends would change. If you don't think they have, bonds are especially attractive at nearly 4% above the economic growth estimates.



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*
⊖	SATX	SatixFy Communications Ltd.	\$32,696,634,772	Jun/2023		2	N/A	N/A
⊖	TLK	PT Telekomunikasi Indonesia, Tbk	\$24,002,775,082	Jun/2023		N/A	7/29/2022	\$0.51
⊖	EBR.B	Centrais Electricas Brasileiras S.A.- Eletrobras	\$19,316,030,786	Jun/2023		2	N/A	\$0.06
⊖	EBR	Centrais Electricas Brasileiras S.A.- Eletrobras	\$17,202,981,045	Jun/2023		2	N/A	\$0.06
⊖	UI	Ubiquiti Inc.	\$10,290,205,043	Jun/2023	\$2.06	1	8/26/2022	\$1.53
⊖	IPX	IperionX Limited	\$1,389,429,848	Jun/2023		2	N/A	N/A

Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
FRIDAY, AUGUST 25						
14:00	USD Jackson Hole Symposium				ALL DAY	
14:00	USD Michigan Consumer Sentiment Index(Aug)		-	-	71.2	71.2
14:00	USD UoM 5-year Consumer Inflation Expectation(Aug)		-	-	2.9%	2.9%
14:05	USD Fed's Chair Powell speech				SPEECH	
17:00	USD Baker Hughes US Oil Rig Count		-	-	-	520
20:30	USD CFTC Gold NC Net Positions		-	-	-	\$121.1K
20:30	USD CFTC Oil NC Net Positions		-	-	-	242.1K
20:30	USD CFTC S&P 500 NC Net Positions		-	-	-	\$-118.4K

Market Trading Update

As good as it can get? After Wednesday's highly anticipated earnings announcement by Nvidia (NVDA), which was quite stellar, the market sold off out of the gate, reversing all of the morning's gains. However, while the sell-off certainly got the investor's attention, we can get a better view from a weekly chart. After the market breached the 78.6% Fibonacci retracement level, the pullback over the last 3-weeks has been quite orderly. As noted previously, there has not been a huge spike in the volatility index, suggesting panic-selling has entered into the market. Notably, the market continues to trade within a well-defined bullish trend channel and, on a short-term basis, is now oversold enough for a rally higher.

The sell-off yesterday was not unsurprising, given that Jerome Powell will be speaking today at the Jackson Hole Summit. Investors took risk off the table yesterday just in case Powell delivers a more hawkish outlook than currently expected. After his speech this morning, we will better understand where the market heads next. The rising trend line and the 61.8% retracement levels remain key support for the current correction.



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NVDA Crushes Earnings Again

For the second quarter in a row, Nvidia (NVDA) reported much stronger earnings and sales growth than expected and revised its outlook for sales and profits higher. Also, they renewed a stock buyback plan. Revenue rose 88% over the quarter, and EPS came in at \$2.70, beating expectations by .61 cents. Equally important, gross and operating margins rose moderately. The gains were primarily driven by its data center unit, which grew by 133% versus last quarter. The graph below shows the recent surge in its data center unit and estimates for 2024. Per the NVDA CFO:

"Data Center compute revenue nearly tripled year-on-year, driven primarily by accelerating demand from cloud service providers and large consumer Internet companies for our HGX platform, the engine of generative AI and large language models"

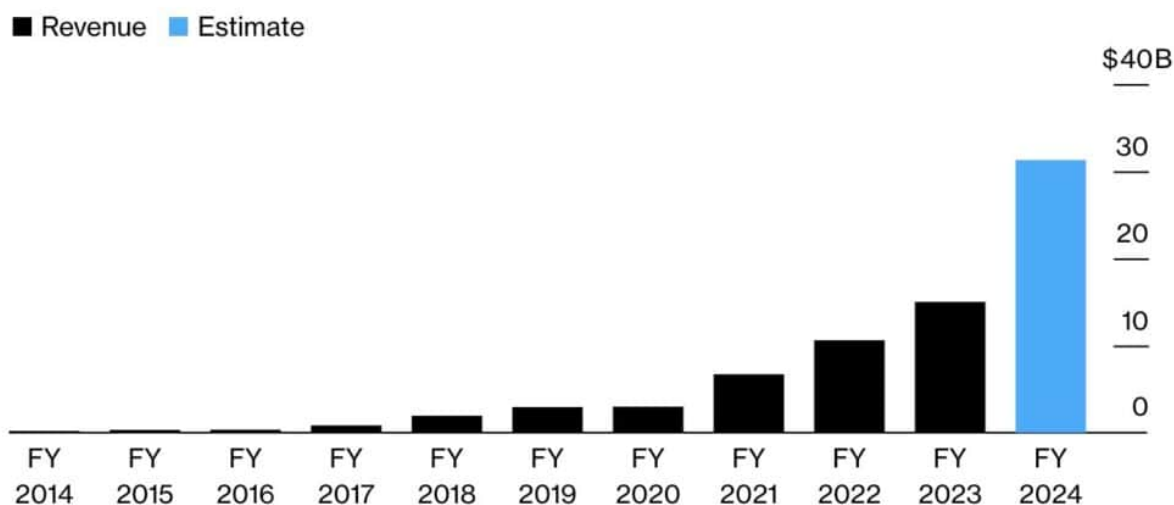
With the stock gains following the announcement, NVDA moved into fifth place as the most valuable public company and is now three times the size of JP Morgan and nearly seven times the size of its closest direct competitor, AMD. Consequently, within 12 hours of releasing its earnings, the stock was upgraded across Wall Street, as shown below.

- Rosenblatt raises price target to \$1,100 from \$800
- Baird raises price target to \$750 from \$570
- KeyBanc raises price target to \$670 from \$620

- BofA Securities raises target to \$650 from \$550
- Wolfe Research raises target to \$630 from \$570
- Morgan Stanley raises target to \$630 from \$500
- Piper Sandler raises target to \$620 from \$500
- Stifel Upgrades to Buy PT \$600 from \$440
- Raymond James raises target to \$600 from \$500
- Wedbush raises price target to \$600 from \$490
- JP Morgan raises price target to \$600 from \$500
- Mizuho Securities raises target to \$590 from \$530 Deutsche
- Bank raises target to \$560 from \$440

Nvidia's Data Center Unit Takes Off

In less than a decade, it's gone from a rounding error to main source of sales



Source: Company data compiled by Bloomberg

Limiting China Exposure

Each week we create and publish a stock scan in [SimpleVisor](#) that finds five stocks meeting specific criteria. The following commentary and table are from our latest Five for Friday in [SimpleVisor](#).

Once again, trade tensions are heating up with China as President Biden signed an executive order to limit U.S. investments in Chinese technology companies for national security concerns. China says a response is coming.

Given that restrictions on technology sales to China are likely, it's worth combing through large technology stocks and seeing which ones are heavily exposed to China.

This screen is relatively simple. We looked at all technology companies trading on the NYSE and NASDAQ exchanges with a market cap of over \$5 billion. The table below shows the five stocks with the highest percentage of their revenue currently coming from China. The data is courtesy of Refinitiv.

	Market Cap (\$bns)	% Revenue From China
QCOM	122	64%
MPWR	24	52%
TXN	150	49%
LSCC	12	45%
MRVL	49	42%

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Lance Roberts  @LanceRoberts · 23m

...

#SmallCaps are trading at their widest discount to the overall market since the #DotCom crash.

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