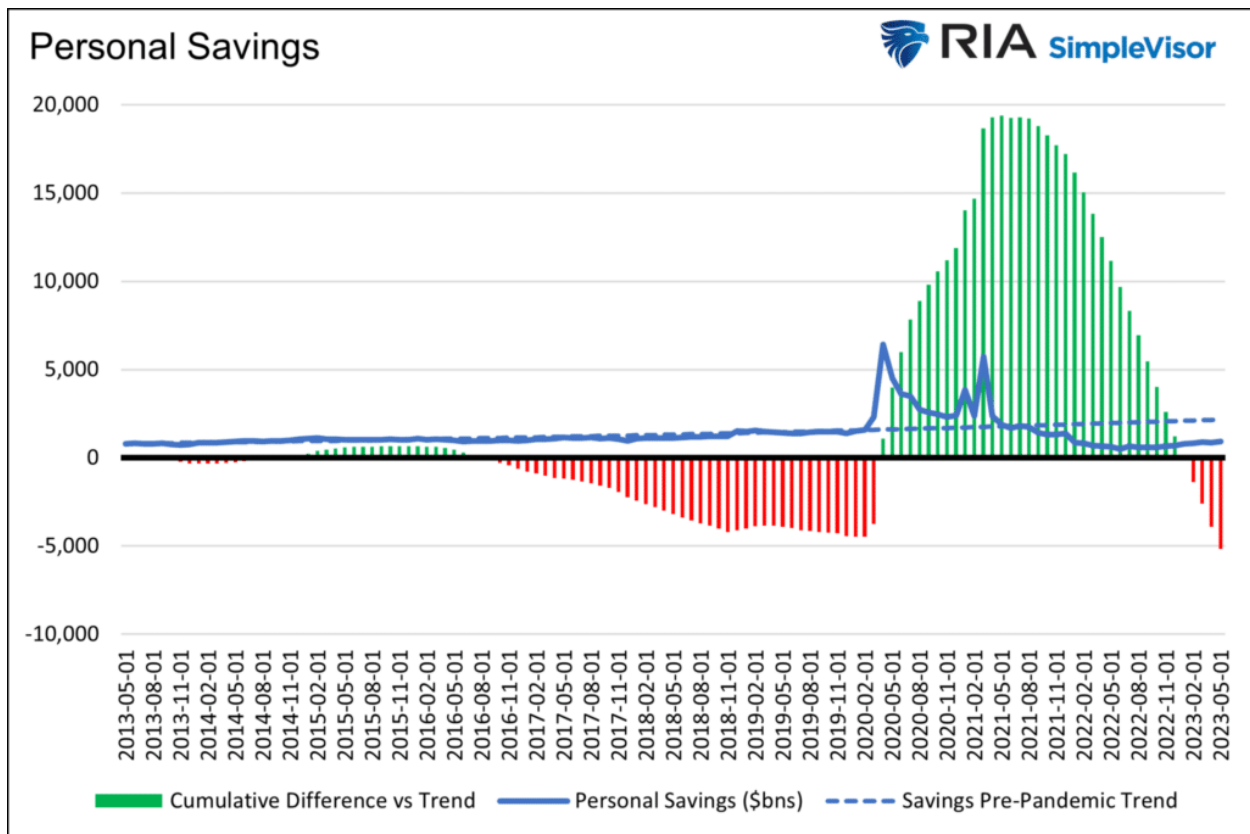


Retailers did well over the last few years as consumers were flush with savings. Reduced spending during the early parts of the pandemic, coupled with stimulus and other benefits from the government, led to abundant consumer savings and a spending surge. In *Department Stores Are Maxed Out*, the Wall Street Journal says the tide may be turning for retailers due to the diminishing consumer financial health. Before continuing, we remind you personal consumption accounts for two-thirds of economic activity. The article was published following dismal sales results from a handful of retailers. For instance, Macy's and Kohl's saw sales decline by 8.2% and 5%, respectively. Dicks Sporting Goods fell 24% last Tuesday after missing expectations and reducing future profit expectations. Footlocker fell 33% a day later on similar news.

The article warns further trouble lies ahead. Starting October 1, student loan payments resume. Additionally, consumers' *"savings cushion has steadily thinned since peaking in 2021."* The problem facing retailers is not just declining sales but credit card delinquencies, another troubling indicator of consumer financial wherewithal. Per the article: *"Macy's said delinquencies on its credit card took a faster than expected turn for the worse last quarter, causing the company to increase its bad debt outlook."* The article's takeaway is that excess consumption at many popular retailers, based on elevated consumer savings, is quickly ending. The article ends as follows: *Unfortunately, this feels more like a worsening storm than a fleeting cloud.* The graph below shows our estimate that excessive savings have already been depleted. As such, trouble at the retailers and other firms highly sensitive to personal consumption is unsurprising.



What To Watch Today

Economics

| Time | Event | Impact | Actual | Dev | Consensus | Previous |
|-----------------------------|--|--------|--------|-----|------------|----------|
| WEDNESDAY, AUGUST 30 | | | | | | |
| 11:00 | USD MBA Mortgage Applications(Aug 25) | | - | - | - | -4.2% |
| 12:15 | USD ADP Employment Change(Aug) | | - | - | 195K | 324K |
| 12:30 | USD Core Personal Consumption Expenditures (QoQ)(Q2) PREL | | - | - | 3.8% | 3.8% |
| 12:30 | USD Goods Trade Balance(Jul) PREL | | - | - | - \$-88.2B | |
| 12:30 | USD Gross Domestic Product Annualized(Q2) PREL | | - | - | 2.4% | 2.4% |
| 12:30 | USD Gross Domestic Product Price Index(Q2) PREL | | - | - | 2.2% | 2.2% |
| 12:30 | USD Personal Consumption Expenditures Prices (QoQ)(Q2) PREL | | - | - | 2.6% | 2.6% |
| 12:30 | USD Wholesale Inventories(Jul) PREL | | - | - | -0.4% | -0.5% |
| 14:00 | USD Pending Home Sales (MoM)(Jul) | | - | - | -0.6% | 0.3% |
| 14:00 | USD Pending Home Sales (YoY)(Jul) | | - | - | - | -15.6% |
| 14:30 | USD EIA Crude Oil Stocks Change(Aug 25) | | - | - | -1.35M | -6.135M |

Earnings

| Time | Symbol | Company Name | Market Cap | Fiscal Quarter Ending | Consensus EPS* Forecast | # Of Ests | Last Year's Report Date | Last Year's EPS* |
|------|--------|-----------------------------------|-------------------|-----------------------|-------------------------|-----------|-------------------------|------------------|
| | CRM | Salesforce, Inc. | \$206,078,920,000 | Jul/2023 | \$1.33 | 17 | 8/24/2022 | \$0.52 |
| | PUK | Prudential Public Limited Company | \$35,965,675,490 | Jun/2023 | | 1 | N/A | N/A |
| | CRWD | CrowdStrike Holdings, Inc. | \$34,150,715,362 | Jul/2023 | (\$0.01) | 13 | 8/30/2022 | (\$0.19) |
| | BF.A | Brown Forman Corporation | \$33,436,623,080 | Jul/2023 | | 1 | N/A | \$0.52 |
| | BF.B | Brown Forman Corporation | \$32,808,817,774 | Jul/2023 | \$0.52 | 8 | 8/31/2022 | \$0.52 |
| | VEEV | Veeva Systems Inc. | \$31,081,828,541 | Jul/2023 | \$0.65 | 12 | 8/31/2022 | \$0.56 |
| | COO | The Cooper Companies, Inc. | \$19,063,521,215 | Jul/2023 | \$3.35 | 9 | 8/31/2022 | \$3.19 |
| | CHWY | Chewy, Inc. | \$13,201,412,591 | Jul/2023 | (\$0.03) | 1 | 8/30/2022 | \$0.05 |
| | OKTA | Okta, Inc. | \$11,709,407,959 | Jul/2023 | (\$0.71) | 13 | 8/31/2022 | (\$1.19) |
| | PSTG | Pure Storage, Inc. | \$11,388,434,777 | Jul/2023 | \$0 | 10 | 8/31/2022 | \$0.05 |
| | FIVE | Five Below, Inc. | \$9,945,779,020 | Jul/2023 | \$0.83 | 10 | 8/31/2022 | \$0.74 |
| | FRHC | Freedom Holding Corp. | \$5,872,254,170 | Jun/2023 | | 1 | N/A | \$0.99 |
| | GEF | Greif, Inc. | \$3,456,503,463 | Jul/2023 | \$1.56 | 3 | 8/31/2022 | \$2.35 |
| | GEFB | Greif, Inc. | \$3,373,623,172 | Jul/2023 | | 1 | N/A | \$2.35 |
| | PDCO | Patterson Companies, Inc. | \$3,312,301,200 | Jul/2023 | \$0.40 | 8 | 9/01/2022 | \$0.32 |
| | ALVO | Alvotech | \$2,556,047,000 | Jun/2023 | (\$0.14) | 1 | N/A | N/A |
| | VSCO | Victorias Secret & Co. | \$1,490,524,031 | Jul/2023 | \$0.27 | 6 | 8/24/2022 | \$1.09 |
| | KEN | Kenon Holdings Ltd. | \$1,365,572,600 | Jun/2023 | | 1 | N/A | \$4.92 |
| | NVX | NOVONIX Limited | \$1,314,652,140 | Jun/2023 | (\$0.06) | 1 | N/A | N/A |
| | GOTU | Gaotu Techedu Inc. | \$906,447,084 | Jun/2023 | | 1 | N/A | (\$0.03) |

Market Trading Update

Bad news is good news again. Following a poor JOLTs number, a reversal in consumer confidence, and a decline in the Case-Shiller Home Price index, stocks rallied sharply. As noted yesterday, the market easily pushed through resistance at the 20- and 50-DMA and pushed our MACD "sell-signal" back to a "buy." With the market not oversold yet, such clears the way for a rally back to 4600. Traders can add to equity positions as needed, but longer-term investors should still

use the rally to rebalance risk in portfolios as the outlook for next year remains cloudy.



Dallas Fed Comments

The Dallas Fed manufacturing survey improved slightly but points to continued economic contraction in the manufacturing sector in the Texas Fed region. Within the report are [comments](#) from survey respondents. Some of these are worth sharing as they paint a dismal picture of the manufacturing sector.

- High-interest rates are affecting industrial production like never before.
- Interest rates are killing our industry.
- This is the time to stop raising interest rates and give confidence to the industrial segments to plan for growth.
- Revenues in China are especially weak.
- For the first time in a long time, we are seeing customers reduce or cancel orders due to softening end-use demand. We expect this trend to continue over the next few months.
- Customer orders came to a sudden halt. The overall volume dropped 51 percent year over year.
- The phone is not ringing. Our sales team is working harder with less results. Projects are being postponed and perhaps even more telling, payments are increasingly protracted.
- Our industry is in a technical recession.
- We have been very fortunate to have a large job that has sustained us for most of the summer and will continue into September. Without this large job, we would have been stupid slow like a lot of our competitors are. There seems to be a softness in our industry right now,

and because of that, we are worried about what six months from now looks like.

AMC - Yesterday's Meme Stock, Today's Dog

AMC stock was the market's darling during the speculative 2020-2021 boom in stock prices. During the period, investors used the term meme stocks to describe stocks like AMC, Bed Bath and Beyond, and others. Since then, most meme stocks have languished as investors grew uninterested in them, and the fundamentals are not or never were worthy of their high prices and expectations.

Bed Bath and Beyond filed for bankruptcy earlier this year, and judging by its stock price, AMC may not be far behind. AMC is now at its lowest level since its IPO in 2013, as shown below.

The takeaway is that speculation and liquidity can temporarily trump fundamentals, but over time, fundamentals determine destiny.



China Is Exporting Deflation

About 16% of U.S. imported goods come from China. As such, China's contribution to inflation is important. The graph below from Eleva Capital shows that China's export prices are down 19% over the last year. China's economic slowdown and deflationary export prices are a big deal for the global economy and U.S. inflation.



Tweet of the Day



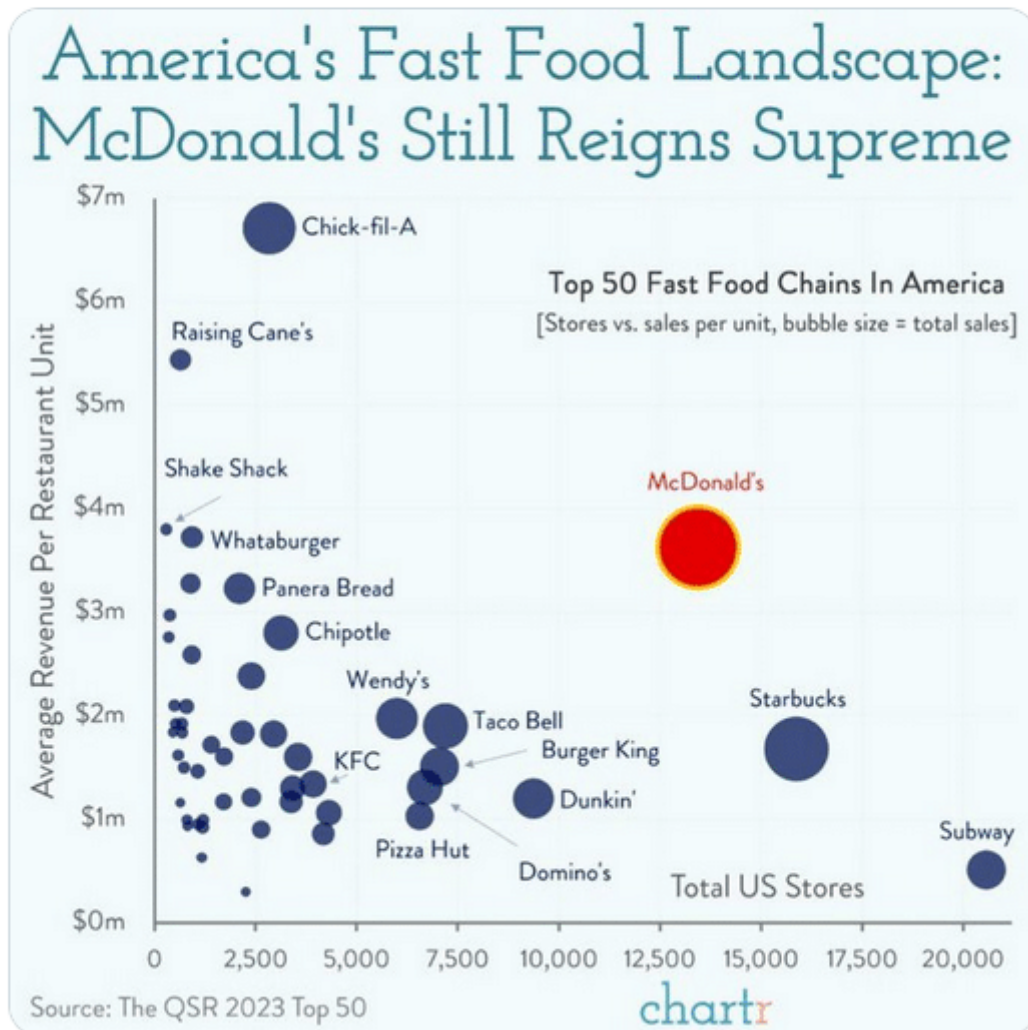
Ayesha Tariq, CFA @AyeshaTariq · Aug 26

...

Overall **\$MCD** still comes out on top.

But look at Chick-fil-A!

Close to \$7 million per outlet!



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