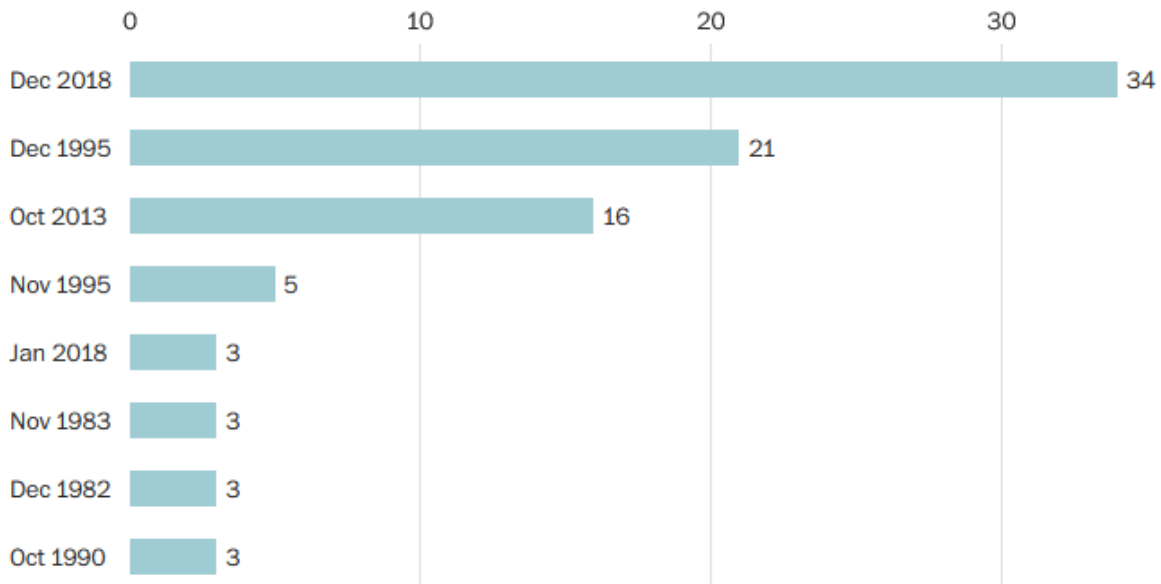


Another Government Shutdown May Be Coming

Three months ago, Congress and the President avoided a shutdown and default on government debt when they agreed to increase the Treasury's spending cap. Unbeknownst to many, another potential government shutdown may come in less than a month. Lawmakers need to agree on the fiscal budget for 2024, which starts on October 1, 2023. A government shutdown is not nearly as problematic as the debt ceiling. Unlike the debt ceiling, the Treasury can still issue debt, so a default is not in the cards. However, hundreds of thousands of federal workers could be temporarily suspended from their jobs without pay. Consequently, many government services, some of which are critical, could be shut down.

Currently, both parties are confident they will reach an agreement. To avoid a government shutdown, Congress needs to pass twelve appropriations bills. Each bill funds a different part of the government. Or, they can pass an omnibus deal combining the twelve bills into one. Recently, Congress has gone with the omnibus approach. While both parties are hopeful, there are significant differences in their preferred spending targets. Further complicating matters, a large group of Republicans were not happy with the debt ceiling deal and may use this opportunity to push for much more aggressive cuts. Heading into an election year, the Democrats are likely to fight cuts. In 2018, Donald Trump and the House-led Democrats could not agree on funding. As a result, they shut down the government for 34 days in 2018. Despite the government shutdown, the market rallied over 10% during the fiasco.

Government shutdowns since 1990



Note: There were substantial federal funding gaps in the late 1970s, including a 17-day long gap beginning Sept. 30, 1978, but gaps were taken less seriously before legal opinions by then-Attorney General Benjamin Civiletti said most government work had to cease until funded by Congress.

What To Watch Today

Earnings

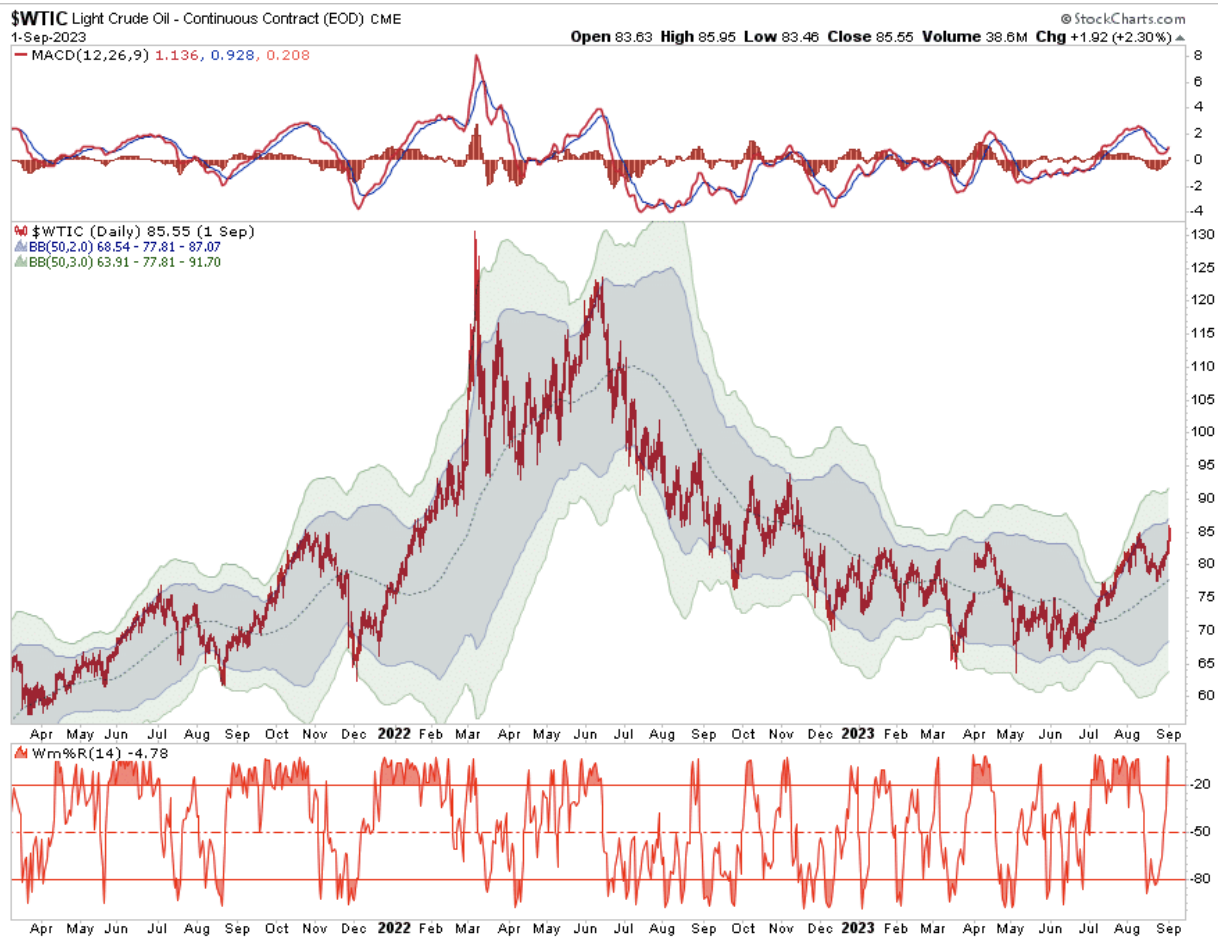
Time	Symbol	Company Name	Market Cap ▼	Fiscal Quarter Ending	Consensus EPS* Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS*
⊖	CPRT	Copart, Inc.	\$42,731,284,984	Jul/2023	\$0.31	4	9/07/2022	\$0.28
🕒	PATH	UiPath, Inc.	\$8,871,974,903	Jul/2023	(\$0.12)	4	9/06/2022	(\$0.18)
☀️	CNM	Core & Main, Inc.	\$7,589,586,884	Jul/2023	\$0.65	3	9/13/2022	\$0.89
🕒	DSGX	The Descartes Systems Group Inc.	\$6,377,449,053	Jul/2023	\$0.33	1	9/07/2022	\$0.27
⊖	FRHC	Freedom Holding Corp.	\$5,865,691,659	Jun/2023		5	N/A	\$0.99
🕒	GME	Gamestop Corporation	\$5,653,135,557	Jul/2023	(\$0.15)	3	9/07/2022	(\$0.35)
🕒	CXM	Sprinklr, Inc.	\$4,049,294,733	Jul/2023	\$0	6	9/08/2022	(\$0.09)
🕒	AI	C3.ai, Inc.	\$3,480,745,638	Jul/2023	(\$0.62)	5	8/31/2022	(\$0.67)
🕒	AEO	American Eagle Outfitters, Inc.	\$3,348,776,863	Jul/2023	\$0.15	8	9/07/2022	\$0.04
🕒	CHPT	ChargePoint Holdings, Inc.	\$2,529,718,838	Jul/2023	(\$0.21)	4	8/30/2022	(\$0.27)
🕒	INTA	Intapp, Inc.	\$2,394,316,478	Jun/2023	(\$0.23)	6	9/07/2022	(\$0.29)
🕒	VRNT	Verint Systems Inc.	\$2,082,237,823	Jul/2023	\$0.36	2	9/07/2022	\$0.25
🕒	PLAY	Dave & Buster's Entertainment, Inc.	\$1,685,505,824	Jul/2023	\$0.94	7	9/07/2022	\$0.61
🕒	PHR	Phreesia, Inc.	\$1,527,679,046	Jul/2023	(\$0.75)	6	9/07/2022	(\$0.89)
☀️	PLAB	Photronics, Inc.	\$1,484,396,591	Jul/2023	\$0.52	1	8/30/2022	\$0.51
⊖	NVX	NOVONIX Limited	\$1,275,699,484	Jun/2023	(\$0.06)	5	N/A	N/A
🕒	YEXT	Yext, Inc.	\$1,086,495,415	Jul/2023	(\$0.03)	2	9/07/2022	(\$0.16)
🕒	BASE	Couchbase, Inc.	\$793,571,977	Jul/2023	(\$0.38)	3	9/07/2022	(\$0.34)

Economy

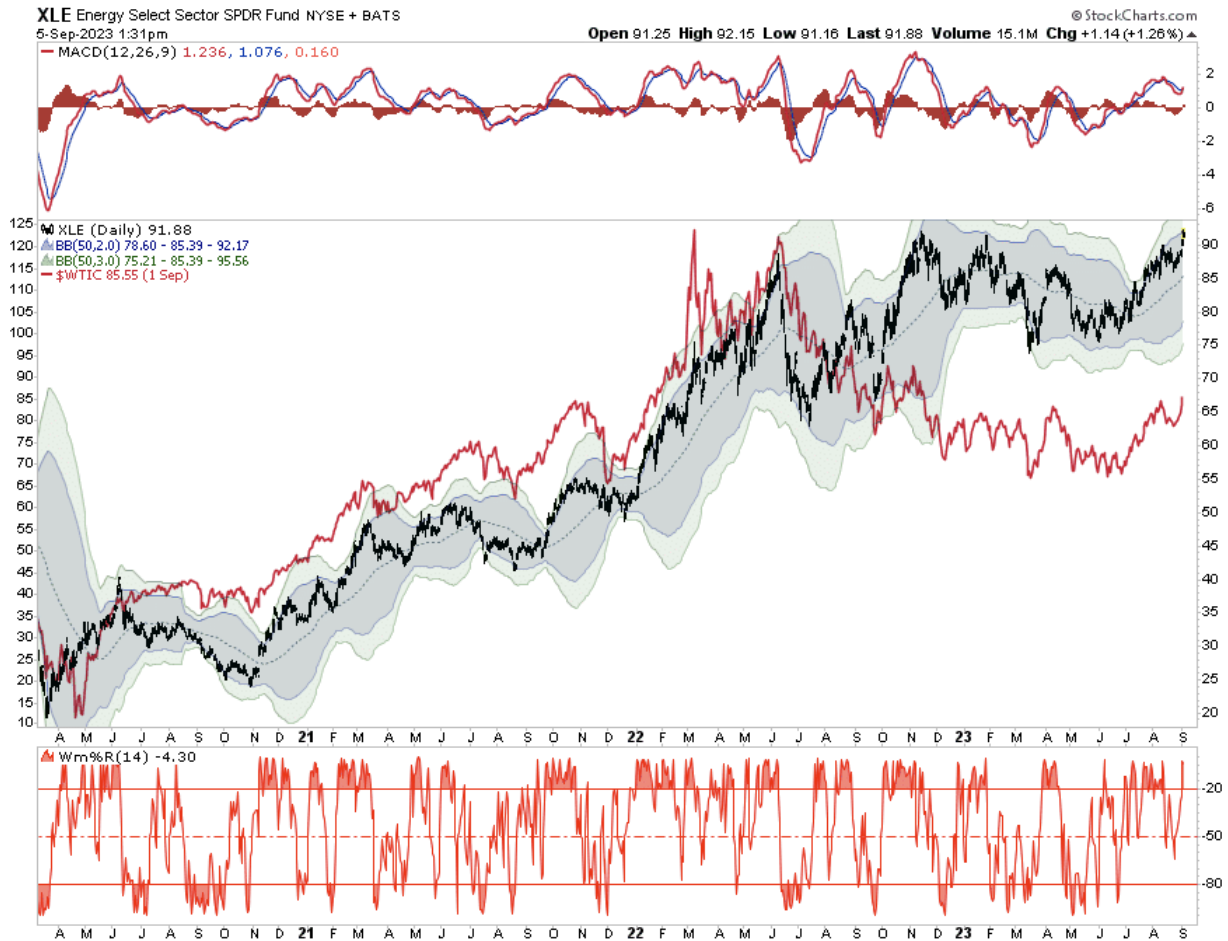
Time	Event	Impact	Actual	Dev	Consensus	Previous
WEDNESDAY, SEPTEMBER 6						
11:00	🇺🇸 USD MBA Mortgage Applications(Sep 1)	🟡	-	-	-	2.3%
12:30	🇺🇸 USD Goods and Services Trade Balance(Jul)	🟡	-	-	-\$65.8B	-\$65.5B
12:30	🇺🇸 USD Goods Trade Balance(Jul)	🟡	-	-	-	-\$91.2B
12:55	🇺🇸 USD Redbook Index (YoY)(Sep 1)	🟡	-	-	-	4.2%
13:45	🇺🇸 USD S&P Global Composite PMI(Aug)	🟠	-	-	50.4	50.4
13:45	🇺🇸 USD S&P Global Services PMI(Aug)	🟡	-	-	51	51
14:00	🇺🇸 USD ISM Services Employment Index(Aug)	🟠	-	-	-	50.7
14:00	🇺🇸 USD ISM Services New Orders Index(Aug)	🟠	-	-	-	55
14:00	🇺🇸 USD ISM Services PMI(Aug)	🟠	-	-	52.6	52.7
14:00	🇺🇸 USD ISM Services Prices Paid(Aug)	🟠	-	-	-	56.8
14:30	🇺🇸 USD EIA Crude Oil Stocks Change(Sep 1)	🟡	-	-	-	-10.584M
18:00	🇺🇸 USD Fed's Beige Book	🟠			REPORT	

Market Trading Update

Are oil prices about to go surging higher? It's possible with the technical backdrop improving after the recent decline. However, oil prices are getting fairly extended in the short term, with more extreme overbought readings, so a pullback should be expected. However, with the MACD "buy signal" triggered, we could see higher prices heading into October. xl



However, energy stock prices, as represented by XLE, did not fall with the decline in oil prices. The divergence from the long-term historical correlation will likely be filled at some point.



For now, energy stocks are also extremely extended after the recent move higher, so a correction in those stocks should be expected when oil prices eventually revert. The trend and the overall backdrop remains positive for both oil and energy stocks near term, however, the onset of a recessionary environment will ultimately realign energy stock and oil prices.

People Do Not Feel Like Buying Homes

As a result of house price inflation and the highest mortgage rates in 15-year highs, buying conditions for home buyers have deteriorated. Per the chart below, courtesy of Game of Trades, buying conditions are at levels only seen twice since 1960. While the existing home sale market is essentially frozen, as most buyers are unwilling to take on a high mortgage rate for a relatively expensive house, new home builders are doing well. For one, the inventory of new homes is comparatively robust versus existing homes. Second, and more importantly, new home builders can offer discounts in the form of lower mortgage rates. We suspect that as long as "*people don't feel like buying homes,*" the homebuilders will continue to take an above-average percentage of total house sales.

People Don't Feel Like Buying Homes



Buying Conditions for Housing as Surveyed by Consumers

Buying Conditions = Share Reporting Good Conditions - Share Reporting Bad Conditions +100



Dates: 1960 Through August 2023.

Source: University of Michigan, National Bureau of Economic Research, Federal Reserve Board, Game of Trades.

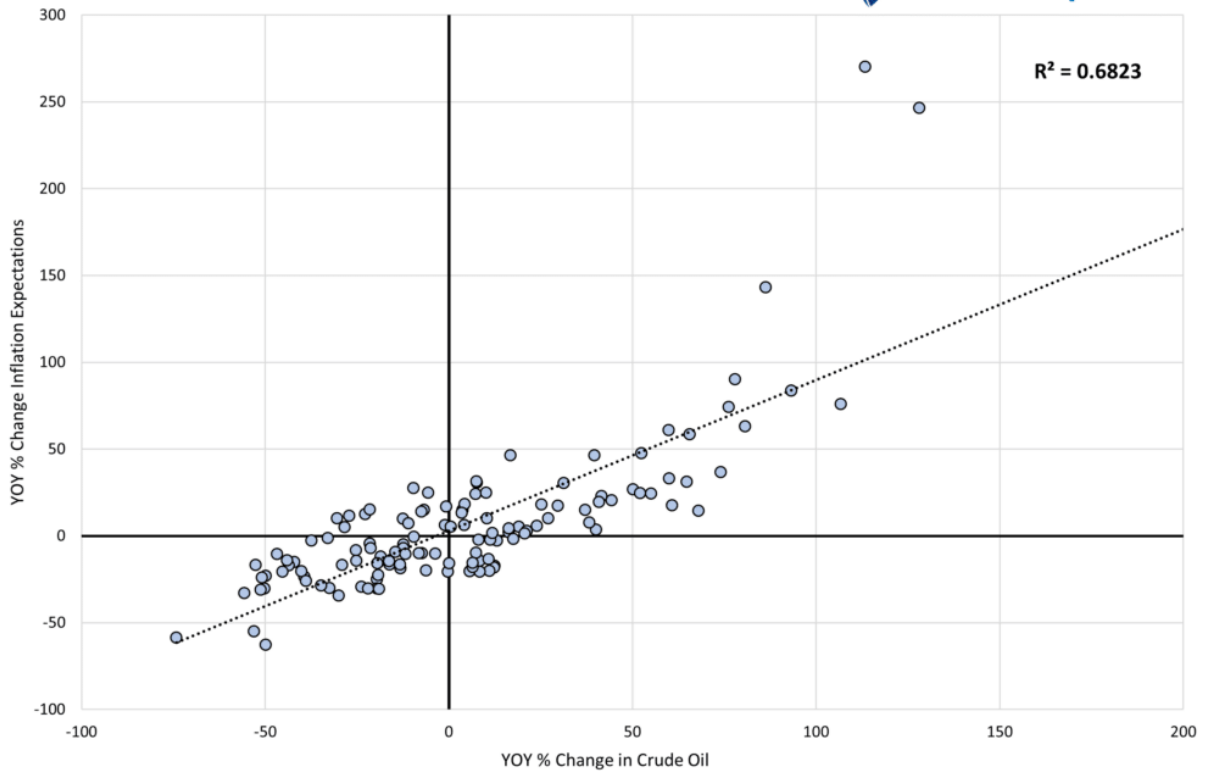
Higher Crude Prices Dragging Bond Yields Higher

Since July, crude oil prices have risen from \$70 a barrel to over \$85. Prices at the pumps are now approaching \$4 in many locations. At the same time, bond yields are rising as bond traders are concerned that higher oil and gas prices will generate more inflation. While such a correlation between crude and inflation expectations is the norm, the correlation between CPI and crude is less robust. As we show below, crude oil prices have much less of an impact on inflation than traders expect. That said, markets run on expectations, so higher crude may temporarily push yields higher.

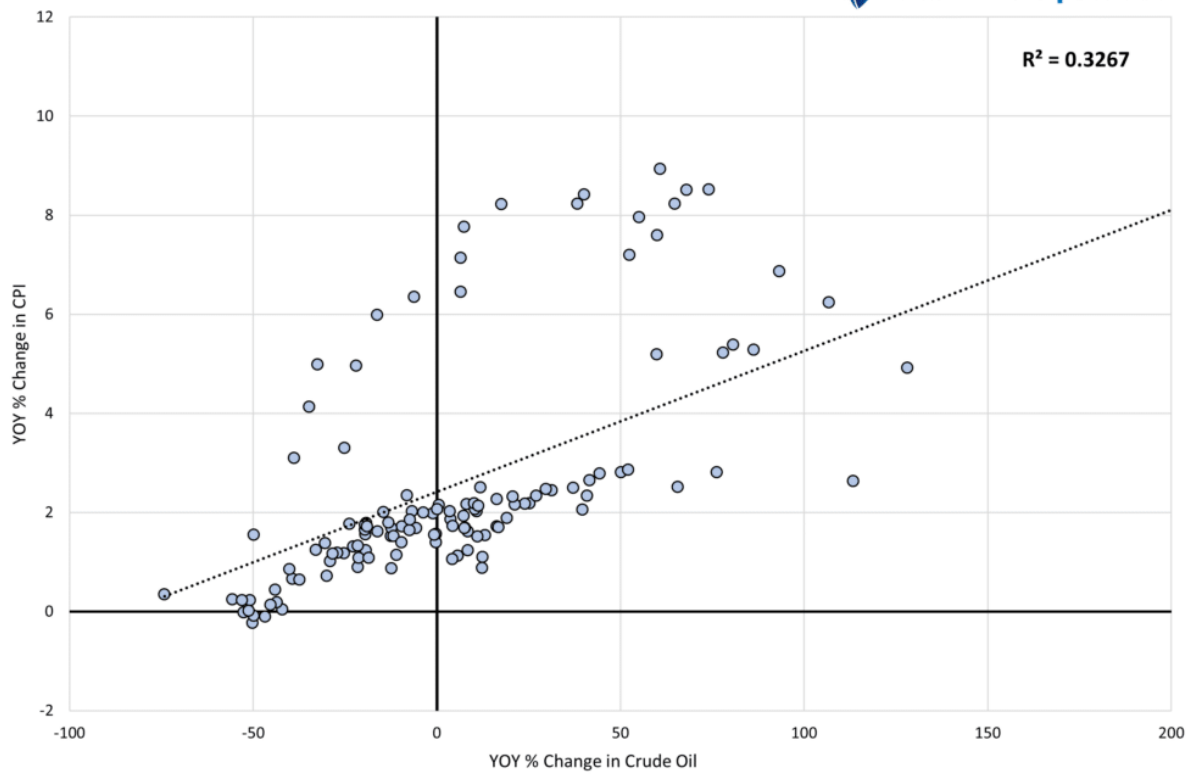
The first graph below shows the strong relationship between crude oil and 5-year inflation expectations. The second graph shows the relationship is strong when inflation is low, but it vanishes when CPI is above the Fed's 2% target, as we have today.

It's worth adding the Fed prefers to gauge inflation with core measures that strip out food and energy prices. As such, the recent rise in crude prices may not overly concern the Fed as much as the bond market.

Crude and 5yr Inflation Expectations



Crude and CPI

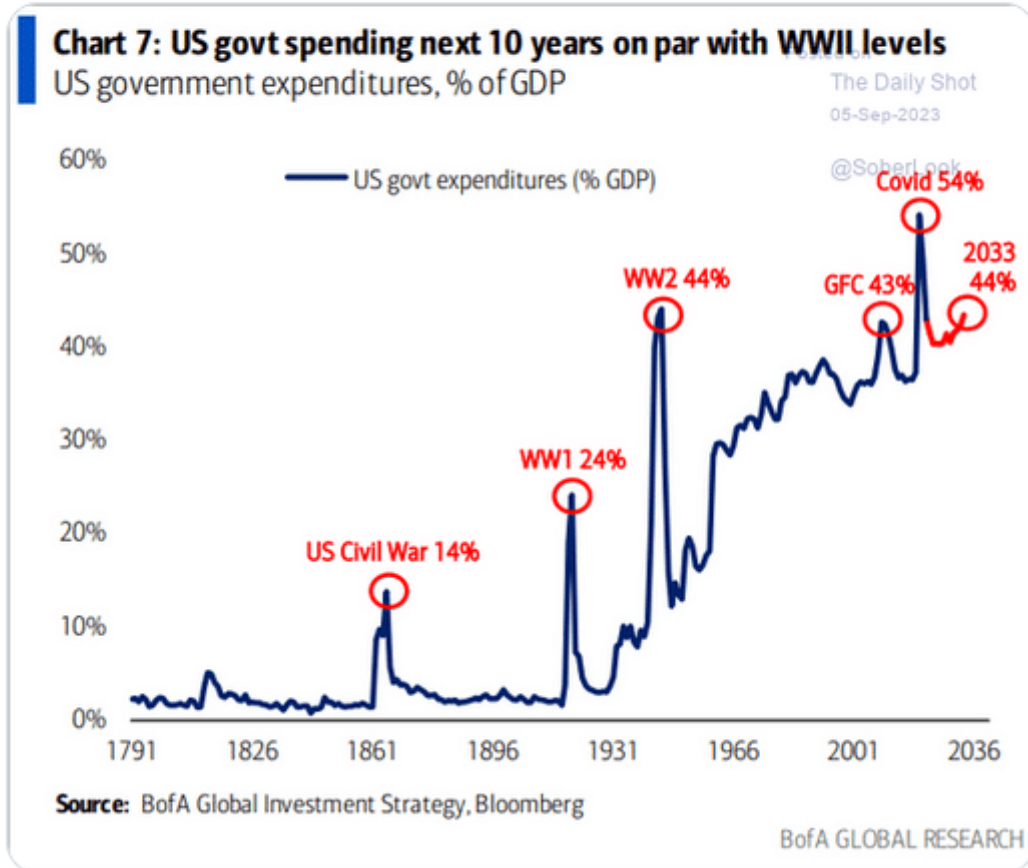


Tweet of the Day



Lance Roberts @LanceRoberts · 1h

The #Government continues to #spend at levels seen during #WWII and the #FinancialCrisis. The growth rate of #debt continues to be the most significant headwind to stronger rates of #economic #prosperity.



Please [subscribe to the daily commentary](#) to receive these updates every morning before the opening bell.

If you found this blog useful, please send it to someone else, share it on social media, or contact us to set up a meeting.