

Shares of Coke and Pepsi were down about 5% on Thursday and trending lower as Ozempic and other obesity drugs become popular. Unfortunately for Coke, Pepsi, McDonald's, and other companies, users claim they eat less food. Walmart confirmed initial reactions, saying its customers taking Ozempic and other appetite-suppressing drugs are purchasing less food.

*Drugs like Ozempic ?have the potential to have a bigger impact on food consumption ? than, arguably, anything that we've seen before,? said Bernstein analyst Alexia Howard. Change won't happen overnight, she noted, but it could be long lasting. -CNN*

Morgan Stanley forecasts that up to 7% of the U.S. population may take obesity medications in ten years. It is estimated that people taking the drug could cut their caloric intake by up to 30%. While Ozempic may seem like a miracle drug, there are drawbacks. Per Drugwatch.com, *The most common Ozempic side effects are nausea, vomiting, diarrhea, abdominal pain, and constipation. Serious Ozempic side effects include allergic reactions, changes in vision, and pancreatitis.* The graph below compares Novo Nordisk, maker of Ozempic, to Coke, Pepsi, McDonalds, and Hershey. Like AI, obesity drugs are a hot sector. As such, companies like Coke and Pepsi may remain under pressure, and Novo Nordisk may benefit.



## What To Watch Today

### Economy

- No notable economic reports today

## Earnings

- No notable earnings releases today

## Market Trading Update

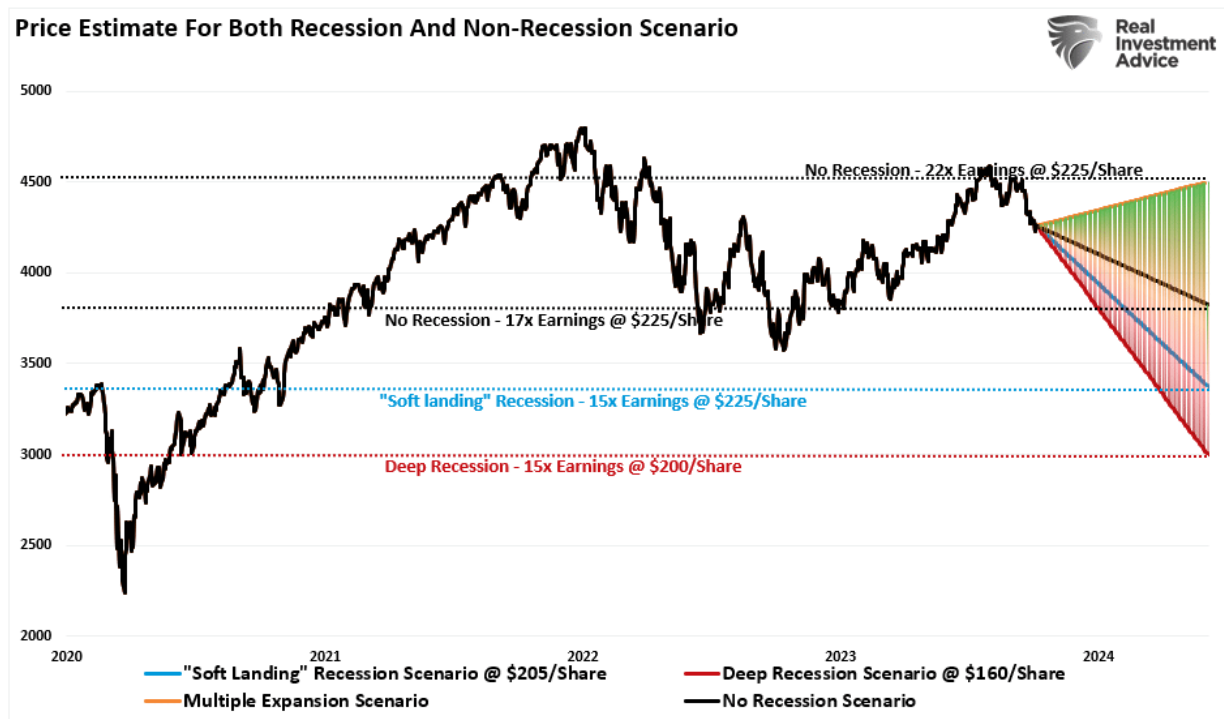
The market failed to support at the 150-DMA level and quickly tested the 200-DMA as expected. The good news is the market bounced sharply off support levels on Friday, reducing the MACD *?sell signal?* If the market can follow through on this rally early next week, we could see a *?buy signal?* triggered.



As [discussed in February](#), our year-end target remains 4500 on the S&P, given a ?no recession? scenario between now and then. To wit:

*?Adding the bullish scenario to our projection chart gives us a full range of options for 2023, which run the gamut from 4500 to 2700, depending on the various outcomes.?*

Of course, since then, the markets have rallied sharply, and earnings estimates have improved. Therefore, if I reapply the valuation model, we can update the price estimates for both recession and non-recession scenarios. Our target of 4500 by year-end remains, but our bottom target has risen to 3000 due to increased estimates. Such is still a 1500-point range with downside risk dwarfing upside potential.



The decline since June was as expected. However, the selling at the beginning of the week seemed like a liquidation event. Given the reduction in asset prices, a drop in bullish sentiment, and technically oversold conditions, the potential year-end rally remains.



## The Week Ahead

Earnings season starts later this week, with the airlines on Thursday and large banks on Friday. The regional banks will report early the following week. Also of significant interest will be the FOMC minutes from their prior meeting and the BLS CPI and PPI reports. Analysts expect Core CPI to be in line with last month's reading at +0.3%, thus reducing the year-over-year rate to 4.1%. Year over year, core PPI is expected to come in at about half the CPI rate.

Regarding the FOMC minutes, we will stay alert for any changes in how they characterize inflation and economic strength. We highly suspect they will make it clear that "*higher for longer*" is the policy going forward.

## Navigating The Staples Sector With SimpleVisor

As we note above, Coke, Pepsi, Mcdonald's, Hershey, and other junk and fast food purveyors are falling victim to the new line of obesity drugs. Accordingly, the consumer staples sector (XLP) is under pressure. While selling all consumer staples stocks may be tempting, not all staples companies are negatively affected. Many investors who want a share of staples in their portfolios may likely sell the food and beverage underperformers and favor other staples.

[SimpleVisor](#) has a relative analysis tool to help suss out which companies are outperforming and underperforming within the sector. For more detail on how we calculate the data in the graphics below, please read [SimpleVisor Makes Relative Rotation Simpler, Part 2](#). The two graphics below show that of the top ten holdings of XLP, Coke and Pepsi are among the most oversold.



### Relative Analysis

Symbol	Name	Holdings	CL/	TGT/	COST/	KO/	MDLZ/	MO/	PEP/	PM/	WMT/	PG/	XLP/	
PG	Procter & Gamble Co	14.59%	0.00	-0.71	0.86	-0.79	-0.27	0.20	-0.51	0.51	0.50	0.14	-0.18	CL
COST	Costco Wholesale Corp	10.66%	0.71	0.00	0.85	0.42	0.56	0.86	0.54	0.78	0.79	0.77	0.74	TGT
PEP	PepsiCo Inc	9.87%	-0.86	-0.85	0.00	-0.88	-0.92	-0.72	-0.91	-0.72	-0.66	-0.79	-0.86	COST
WMT	Walmart Inc	9.81%	0.79	-0.42	0.88	0.00	0.33	0.61	0.14	0.83	0.82	0.80	0.84	KO
PM	Philip Morris International Inc	4.62%	0.27	-0.56	0.92	-0.33	0.00	0.55	-0.30	0.54	0.78	0.54	0.24	MDLZ
MDLZ	Mondelez International Inc Class A	4.61%	-0.20	-0.86	0.72	-0.61	-0.55	0.00	-0.56	0.15	0.22	-0.23	-0.39	MO
KO	Coca-Cola Co	4.45%	0.51	-0.54	0.91	-0.14	0.30	0.56	0.00	0.63	0.78	0.75	0.31	PEP
MO	Altria Group Inc	3.65%	-0.51	-0.78	0.72	-0.83	-0.54	-0.15	-0.63	0.00	0.14	-0.37	-0.53	PM
CL	Colgate-Palmolive Co	2.88%	-0.50	-0.79	0.66	-0.82	-0.78	-0.22	-0.78	-0.14	0.00	-0.63	-0.47	WMT
TGT	Target Corp	2.47%	-0.14	-0.77	0.79	-0.80	-0.54	0.23	-0.75	0.37	0.63	0.00	-0.24	PG
			0.18	-0.74	0.86	-0.84	-0.24	0.39	-0.31	0.53	0.47	0.24	0.00	XLP

Green = oversold, Red = overbought



### Absolute Analysis

Symbol	Name	Holdings	
PG	Procter & Gamble Co	14.59%	
COST	Costco Wholesale Corp	10.66%	
PEP	PepsiCo Inc	9.87%	
WMT	Walmart Inc	9.81%	
PM	Philip Morris International Inc	4.62%	
MDLZ	Mondelez International Inc Class A	4.61%	
KO	Coca-Cola Co	4.45%	
MO	Altria Group Inc	3.65%	
CL	Colgate-Palmolive Co	2.88%	
TGT	Target Corp	2.47%	

Coca-Cola Co (KO) -0.87	PepsiCo Inc (PEP) -0.82	Target Corp (TGT) -0.81	Colgate-Palmolive Co (CL) -0.79
Mondelez International Inc Class A (MDLZ) -0.64	Procter & Gamble Co (PG) -0.57	Altria Group Inc (MO) -0.47	Philip Morris International Inc (PM) -0.46
	Walmart Inc (WMT) 0.06	Costco Wholesale Corp (COST) 0.57	

Green = oversold, Red = overbought

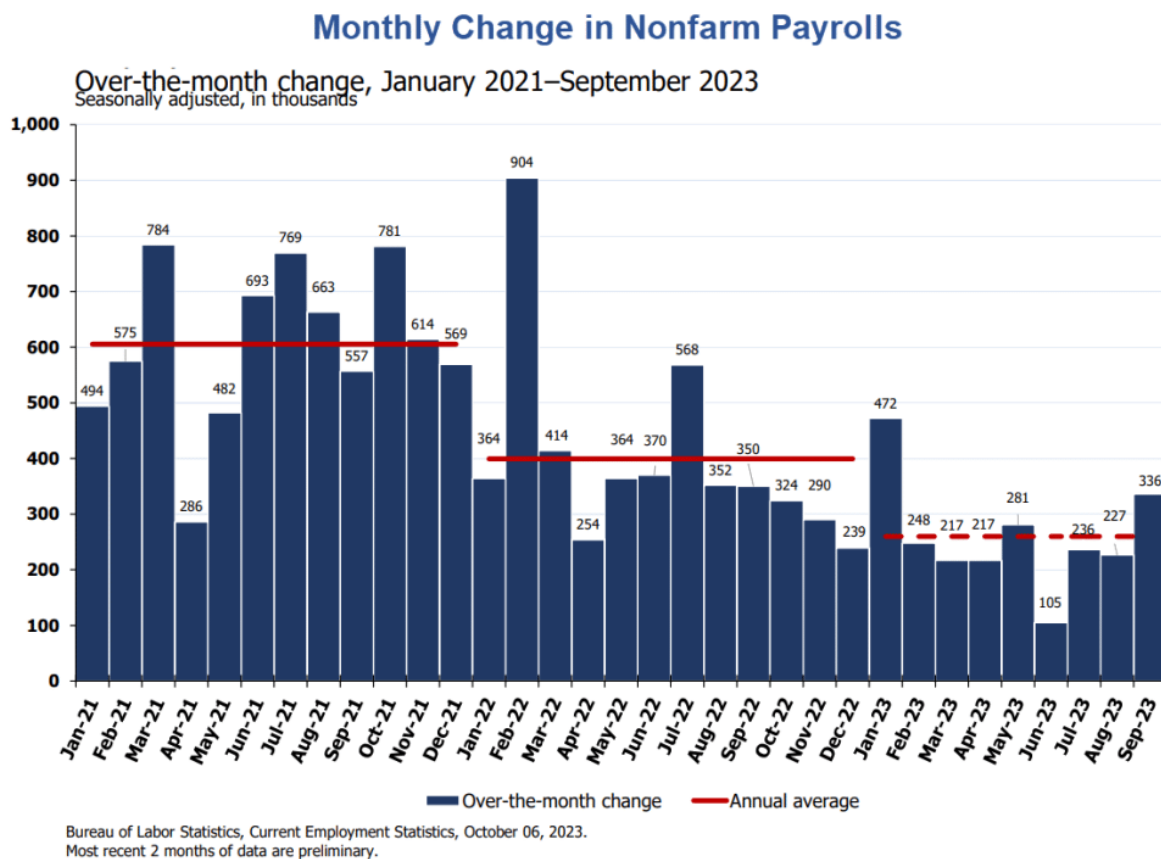
## BLS Labor Market Update

The BLS reported the economy added 336k jobs in September. Such is unexpectedly strong, especially when compared to the weak ADP report. The lesser followed data within the BLS report should be less concerning from the Fed's inflationary point of view. Hourly Wages grew +0.2%, which is lower than the +0.3% expected and the same as in August. On a year-over-year basis (+4.2%), that is the lowest rate since June 2021. The average workweek stayed flat at 34.4 hours.

Such indicates wage pressures have cooled despite the strong labor market. The labor force participation was unchanged at 62.8%. Typically, this number should increase in a strong labor market. However, it is now at pre-pandemic levels. Lastly, full-time jobs have decreased for three months in a row, whereas part-time jobs have increased for three months in a row.

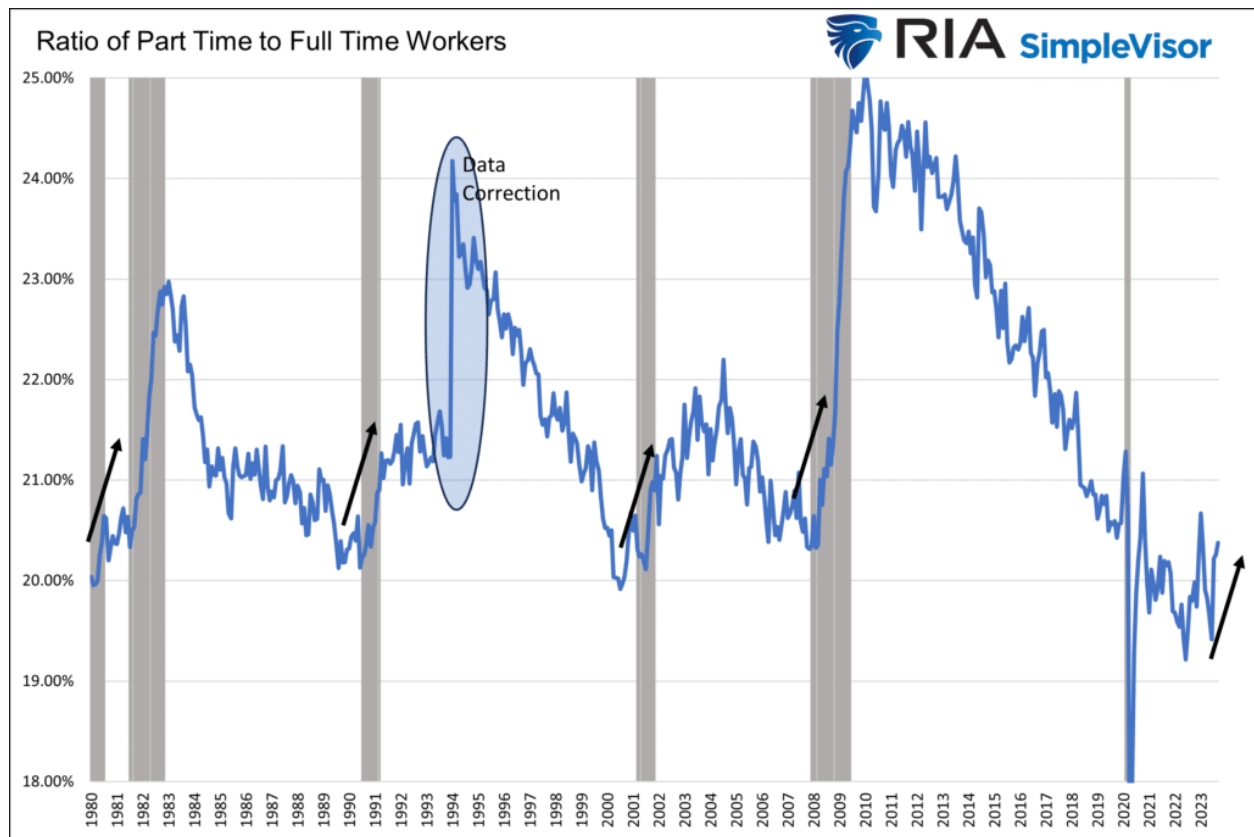
The following thoughts are from [Mish Shedlock](#):

- A gain of 336,000 is surprisingly strong, given economists' expectations of 160,000 and an ADP report of 89,000.
- However, employment only rose by 86,000, and the participation rate (those looking for work or working) did not increase at all.
- For August, employment rose by 222,000, but unemployment rose by 514,000. Over half a million people wanted jobs but couldn't find them last month.
- The civilian noninstitutional population is 267,428,000. Employment is 161,570,000. That means there are nearly 106 million people aged 16 and older who are not working at all.
- *Because of annual benchmark revisions, the way the BLS reports revisions, and the relatively small sample sizes of monthly jobs reports, we cannot, with strong confidence, suggest these reports portray an accurate picture of either jobs or employment.*



**MishTalk**





## Tweet of the Day



**Tracy Alloway** @tracyalloway · 1m

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Lots of head-scratching over why economists keep getting the payroll number wrong. The highest estimate for September was 250,000 (which was still about 86,000 less than the actual 336,000 figure)

(Just for fun, the lowest estimate was for 90k jobs added)

Economist	Firm	Estimate	As of Rank
101 Ian C Shepherdson	Pantheon Macroeconomics Ltd	250k	10/03/2023
102 Stephen L Stanley	Santander US Capital Markets ...	250k	9/22/2023 2nd
103 Andrew Zatlín	Southbay Research	242k	9/28/2023
104	Citigroup Inc	240k	9/29/2023 5th
105 Marc Giannoni	Barclays Capital Inc.	225k	10/02/2023
106 Augustine Faucher	PNC Finl Services Group INC	225k	10/02/2023
107 John D Herrmann	Herrmann Forecasting LLC	218k	10/06/2023
108 David H Sloan	4CAST/Continuum Economics	210k	9/27/2023 9th
109 Oscar Munoz	TD Securities USA LLC	210k	9/29/2023

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