

We believe that the clearest sign of a coming recession is weakness in the labor markets. Thus far, we haven't seen anything overly concerning in employment data. Hence, to help us assess the labor markets, we follow many government and private employment gauges. The ASA Staffing Index was recently brought to our attention. A reader asked if we thought that the ASA Staffing Index might be a warning of trouble ahead. The [American Staffing Association](#) (ASA) Staffing Index tracks weekly changes in temporary and contract employment via surveys of hiring managers.

The ASA Staffing Index graph on the right accompanied our reader's question. As shown, the current index has fallen sharply and sits below many of the pre-pandemic prior troughs. First, note that the index is not seasonally adjusted. Therefore, Christmas holiday-related employment decisions create anomalies in November and December, when many people are hired, and in January, when they are no longer needed. The graph on the left helps us appreciate the seasonality and answer the question. As shown, in 2022 (yellow), the index was well above 2023 levels and pre-pandemic norms. Conversely, 2023 is in-line to slightly below the pre-pandemic years. We characterize the recent data as normalizing to prior trends and not necessarily weak. However, further deterioration of the ASA Staffing Index may change our minds.

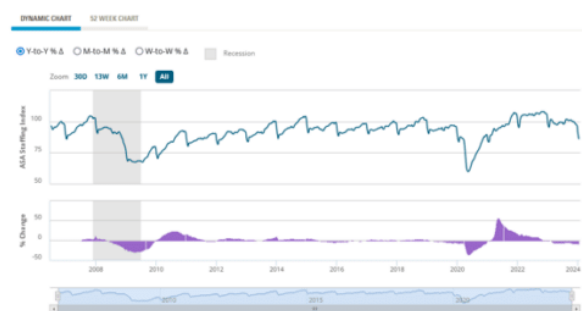
ASA Staffing Index

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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*
🕒	MSFT	Microsoft Corporation	\$3,002,113,722,552	Dec/2023	\$2.76	15	1/24/2023	\$2.32
🕒	GOOG	Alphabet Inc.	\$1,924,835,640,000	Dec/2023	\$1.60	16	2/02/2023	\$1.05
🕒	GOOGL	Alphabet Inc.	\$1,904,747,460,000	Dec/2023	\$1.60	16	2/02/2023	\$1.05
🕒	AMD	Advanced Micro Devices, Inc.	\$286,347,178,429	Dec/2023	\$0.58	15	1/31/2023	\$0.54
🌟	DHR	Danaher Corporation	\$172,170,015,931	Dec/2023	\$1.89	11	1/24/2023	\$2.87
🌟	PFE	Pfizer, Inc.	\$155,106,973,131	Dec/2023	(\$0.19)	7	1/31/2023	\$1.14
🌟	UPS	United Parcel Service, Inc.	\$135,711,746,327	Dec/2023	\$2.44	10	1/31/2023	\$3.62
🕒	SYK	Stryker Corporation	\$118,283,998,224	Dec/2023	\$3.27	13	1/31/2023	\$3
🕒	SBUX	Starbucks Corporation	\$105,485,760,000	Dec/2023	\$0.93	12	2/02/2023	\$0.75
☹️	UBS	UBS AG	\$103,350,200,000	Dec/2023		N/A	1/31/2023	\$0.50
🕒	MDLZ	Mondelez International, Inc.	\$102,257,694,256	Dec/2023	\$0.78	10	1/31/2023	\$0.73
🕒	CB	Chubb Limited	\$98,423,482,993	Dec/2023	\$5.07	10	1/31/2023	\$4.05
🌟	HCA	HCA Healthcare, Inc.	\$75,863,100,544	Dec/2023	\$5.05	9	1/27/2023	\$4.64
🕒	CP	Canadian Pacific Kansas City Limited	\$73,231,620,000	Dec/2023	\$0.83	10	1/31/2023	\$0.81
🌟	MPC	Marathon Petroleum Corporation	\$60,949,006,904	Dec/2023	\$2.36	7	1/31/2023	\$6.65
🌟	GM	General Motors Company	\$48,178,348,827	Dec/2023	\$1.08	6	1/31/2023	\$2.12
🌟	MSCI	MSCI Inc.	\$43,443,999,755	Dec/2023	\$3.29	7	1/31/2023	\$2.84
🌟	JCI	Johnson Controls International plc	\$38,565,928,019	Dec/2023	\$0.50	7	2/01/2023	\$0.67
🌟	MPLX	MPLX LP	\$37,946,125,967	Dec/2023	\$0.95	5	1/31/2023	\$0.78
🌟	SYY	Sysco Corporation	\$37,903,553,545	Dec/2023	\$0.88	8	1/31/2023	\$0.80
🕒	EA	Electronic Arts Inc.	\$37,499,302,040	Dec/2023	\$2.46	10	1/31/2023	\$2.29
🌟	CHT	Chungwa Telecom Co., Ltd.	\$29,928,228,789	Dec/2023		N/A	2/02/2023	\$0.35
🌟	GLW	Corning Incorporated	\$26,328,976,765	Dec/2023	\$0.40	6	1/31/2023	\$0.47
🌟	PHM	PulteGroup, Inc.	\$22,663,344,297	Dec/2023	\$3.20	9	1/31/2023	\$3.63
🕒	EQR	Equity Residential	\$22,464,527,095	Dec/2023	\$1	10	2/09/2023	\$0.94
☹️	NVR	NVR, Inc.	\$22,367,051,064	Dec/2023	\$118.63	5	1/31/2023	\$133.44
🌟	HUBB	Hubbell Inc	\$17,640,582,009	Dec/2023	\$3.59	4	1/31/2023	\$2.60
🕒	SWKS	Skyworks Solutions, Inc.	\$16,729,679,539	Dec/2023	\$1.68	9	2/06/2023	\$2.33
🕒	TER	Teradyne, Inc.	\$16,122,590,654	Dec/2023	\$0.72	9	1/25/2023	\$0.92
🕒	MANH	Manhattan Associates, Inc.	\$13,529,558,902	Dec/2023	\$0.55	4	2/02/2023	\$0.60
🌟	AOS	A.O. Smith Corporation	\$12,034,457,033	Dec/2023	\$0.96	8	1/31/2023	\$0.86
🌟	PNR	Pentair plc.	\$11,974,256,589	Dec/2023	\$0.86	10	1/31/2023	\$0.82
🕒	JNPR	Juniper Networks, Inc.	\$11,861,907,418	Dec/2023	\$0.44	7	1/31/2023	\$0.54
🕒	BXP	Boston Properties, Inc.	\$11,174,140,816	Dec/2023	\$1.81	9	1/31/2023	\$1.86
🕒	RNR	RenaissanceRe Holdings Ltd.	\$10,915,504,226	Dec/2023	\$8.13	6	1/31/2023	\$7.33
🕒	MTCH	Match Group, Inc.	\$10,317,967,007	Dec/2023	\$0.49	11	1/31/2023	\$0.30
🕒	FBIN	Fortune Brands Innovations, Inc.	\$9,980,416,321	Dec/2023	\$0.93	6	2/16/2023	\$1.07
🕒	UNM	Unum Group	\$9,247,114,076	Dec/2023	\$1.86	11	1/31/2023	\$1.43
🕒	RHI	Robert Half Inc.	\$8,667,502,066	Dec/2023	\$0.82	7	1/26/2023	\$1.37
🌟	OSK	Oshkosh Corporation	\$7,226,883,811	Dec/2023	\$2.17	8	1/31/2023	\$1.60
🕒	LFUS	Littelfuse, Inc.	\$5,842,224,093	Dec/2023	\$2.02	2	2/01/2023	\$3.34
🌟	Pii	Polaris Inc.	\$5,159,910,873	Dec/2023	\$2.64	6	1/31/2023	\$3.46

Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
TUESDAY, JANUARY 30						
13:55	🇺🇸 USD Redbook Index (YoY)(Jan 26)	🟡	-	-	-	5.2%
14:00	🇺🇸 USD S&P/Case-Shiller Home Price Indices (YoY)(Nov)	🟡	-	-	5.8%	4.9%
14:00	🇺🇸 USD Housing Price Index (MoM)(Nov)	🟡	-	-	-	0.3%
15:00	🇺🇸 USD JOLTS Job Openings(Dec)	🟡	-	-	8.75M	8.79M
15:00	🇺🇸 USD Consumer Confidence(Jan)	🟡	-	-	-	-
21:30	🇺🇸 USD API Weekly Crude Oil Stock(Jan 26)	🟡	-	-	-	-6.674M

Market Trading Update

Yesterday, markets started out the day a bit sluggishly, until the afternoon when stocks exploded higher following comments from Elizabeth Warren and three other Democrats to Jerome Powell. Warren urged Fed Chair Jerome Powell to bring down interest rates at the upcoming meeting to, wait for it, *"expand affordable housing."*

The irony, just in case it was missed on you, is that lower rates make housing prices go up, and housing is less affordable even at lower interest rates. Notably, this has been the issue with housing going back to the turn of the century when Alan Greenspan pushed adjustable-rate mortgages so more people could be housing. Lower rates and easier lending standards followed, pushing more people who couldn't afford it into housing, driving prices higher, requiring more accommodations and lower rates. *(I am going to write an article on this soon.)*

Also, adding to the surge was an announcement from the Treasury that slashed their borrowing estimates. That announcement sent bond yields tumbling and added to the stock market rally.

Figure 1: Key figures for February refunding expectations (in USD billions)

Quarterly borrowing estimates

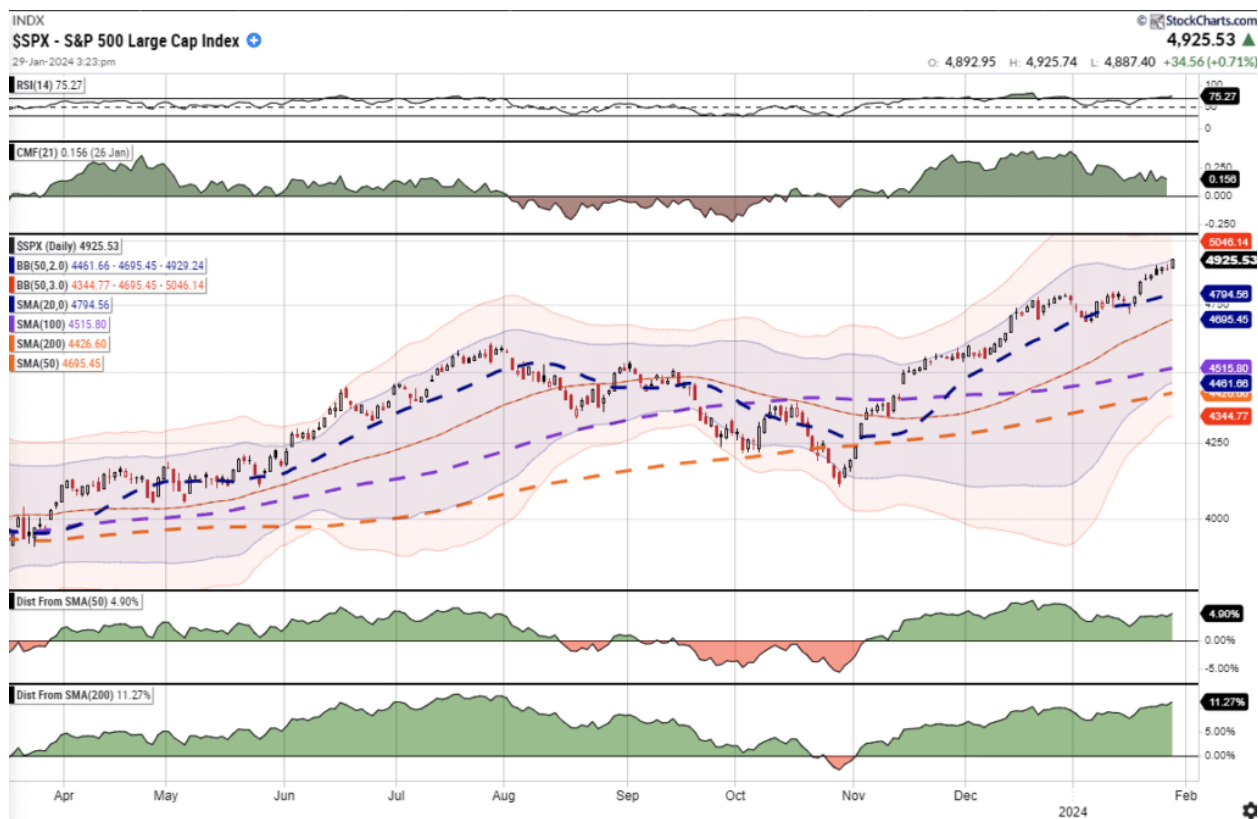
January - March 2024	797
April - June 2024	472

Nominal coupon and FRN size expectations

	2-Year	3-Year	5-Year	7-Year	10-Year	20-Year	30-Year	FRN
Nov-23	54	48	55	39	40	16	24	26
Dec-23	57	50	58	40	37	13	21	26
Jan-24	60	52	61	41	37	13	21	28
Feb-24	63	54	64	42	42	16	25	28
Mar-24	66	56	67	43	39	13	22	28
Apr-24	69	58	70	44	39	13	22	30

Source : Deutsche Bank

Nonetheless, from the market perspective, any hopes of more aggressive rate cuts, sooner rather than later, are bullish. As such, the comments sent stocks, or rather the *"Mega-7"* soaring higher. Such led to a fresh all-time high while creating a bigger deviation from the 50-DMA. The deviation must be corrected soon, which I suspect we will see in early February. Continue to hold equity exposures, but taking some gains from big winners isn't the worst idea.



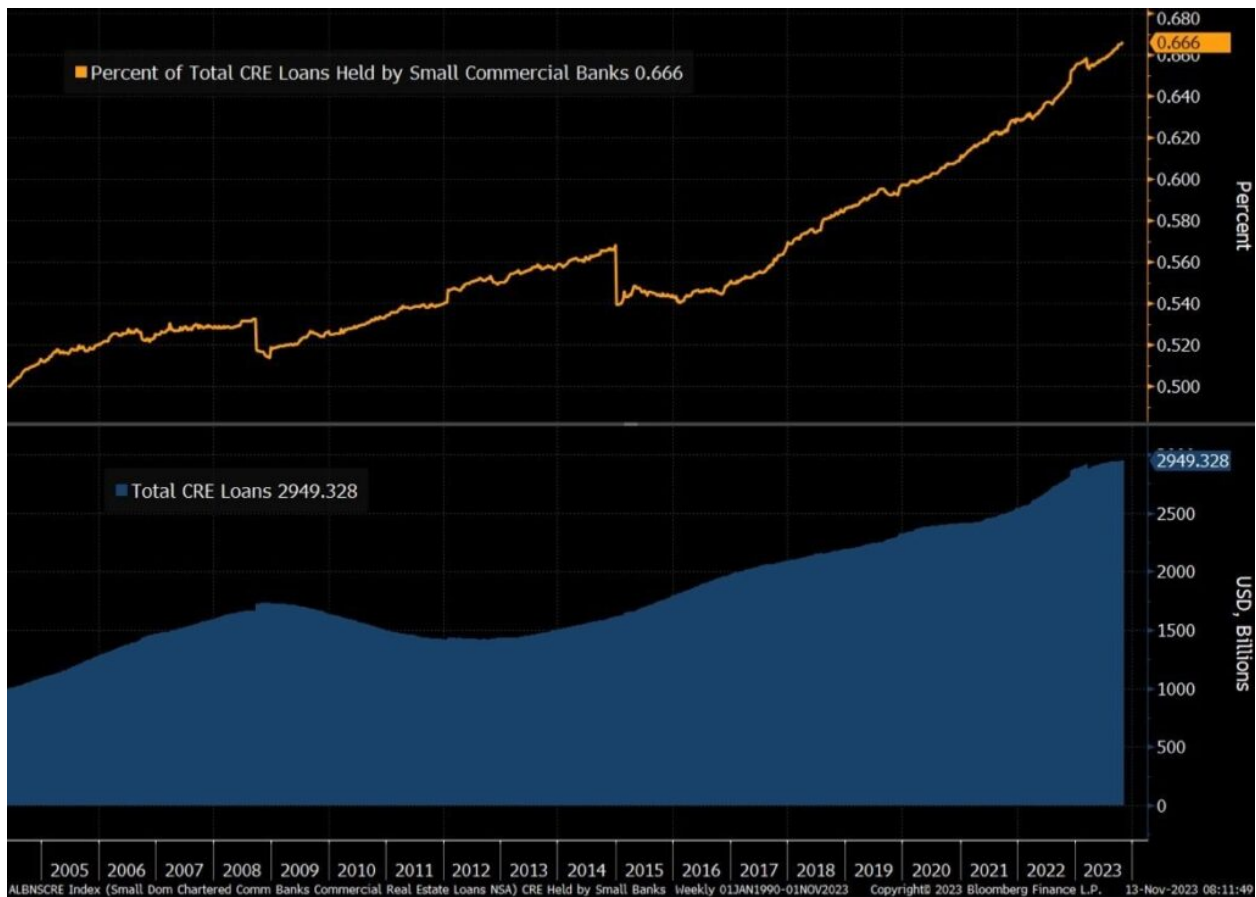
Smaller Banks Are On The Hook For CRE Losses

Commercial Real Estate (CRE) prices are plummeting throughout much of the nation. The work-from-home movement is resulting in a sharp increase in office vacancies. Further, workers aren't returning to their offices in meaningful numbers despite the pandemic ending. Additionally, higher interest rates and pre-pandemic overbuilding (due to low interest rates) are dragging on CRE prices materially.

Quite often, buyers of CRE use leverage. For instance, they may purchase a \$30 million building with \$5 million in cash and \$25 million in debt. Accordingly, if the owner needs to sell and the price of the building has fallen by more than \$5 million, then the lender is often on the hook for any additional loss. As shown below, two-thirds of those lenders are smaller banks. Further troubling is that CRE loans are often for 5-7-year terms. As those loans come up for refinancing, the higher interest rates and or low vacancy rates may force some owners to default, thus leaving the bank with the property and, in many cases, a weak market to sell the property into to minimize a loss.

The following information comes from the Kobeissi Letter:

14% of all commercial real estate (CRE) loans and 44% of office building loans are now in "negative equity." In other words, the debt is now greater than the property value on all of these properties. Currently, US banks hold over \$2.9 trillion of CRE debt, the majority of which is held by regional banks. Office building prices are down 40% from their highs and CRE as a whole is down over 20%. All as rates rise and many of these loans are due to be refinanced. CRE is beyond bear market territory.



Big Week For Earnings

This will be the most important week of the Q4 2023 earnings season! Per the Goldman Sachs table below, a third of the S&P 500 market cap reports this week. The communications sector will get earnings announcements from 70% of its constituents by market cap. Five of the Magnificent Seven stocks, which have been leading the market, will report. Between employment data and the Fed meeting on Wednesday, the sectors highlighted in blue will likely get an additional jolt of volatility as earnings are released.

Percent of S&P 500 market cap reporting by week

	Jan 8 - Jan 12	Jan 15 - Jan 19	Jan 22 - Jan 26	Jan 29 - Feb 2	Feb 5 - Feb 9	Feb 12 - Feb 16
S&P 500	4%	3%	23%	32%	12%	6%
Communication Services	0%	0%	21%	70%	7%	0%
Consumer Discretionary	0	0	16	39	13	3
Consumer Staples	0	0	21	10	21	11
Energy	0	7	7	53	9	6
Financials	22	14	20	15	12	4
Health Care	9	0	16	37	28	4
Industrials	1	1	30	33	16	10
Information Technology	0	0	34	29	3	6
Materials	0	4	21	18	35	15
Real Estate	0	12	7	10	13	22
Utilities	0	0	17	5	12	29

Tweet of the Day



Peter Schmidt (The 92ers) @The92ers · 48m



It's no longer price to earnings that count.
Instead, its price to innovation.
Haven't you heard, we live in a 'new era' where the old rules no longer apply.

"Every era of speculation brings forth a crop of theories designed to justify the speculation, and the speculative slogans are easily seized upon. The term 'new era' was the slogan for the 1927-1929 period. We were in a new era where the old economic laws were suspended."
Benjamin Anderson, [Economics and the Public Welfare](#)

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