

MARKET UPDATE

Week of Oct 25th, 2023

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By Todd Gordon
Founder,
Chief Investment Officer



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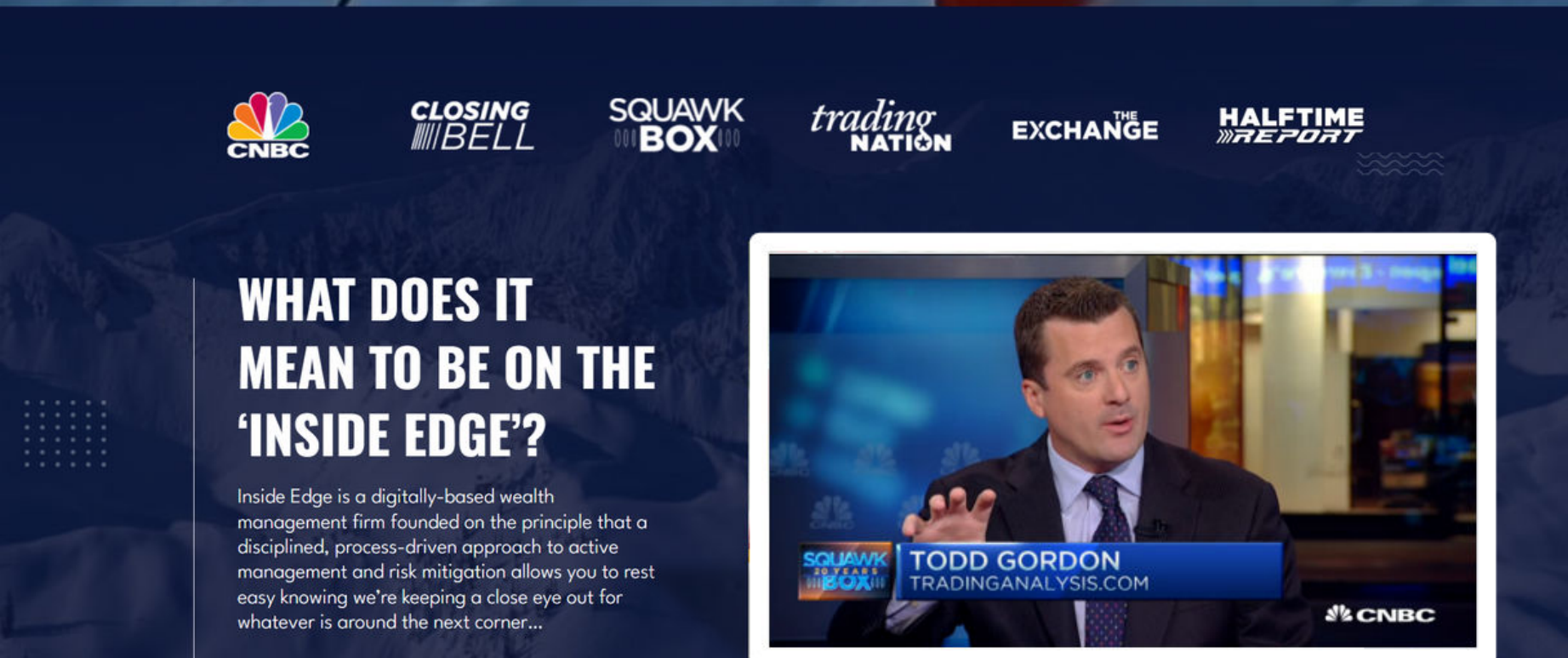
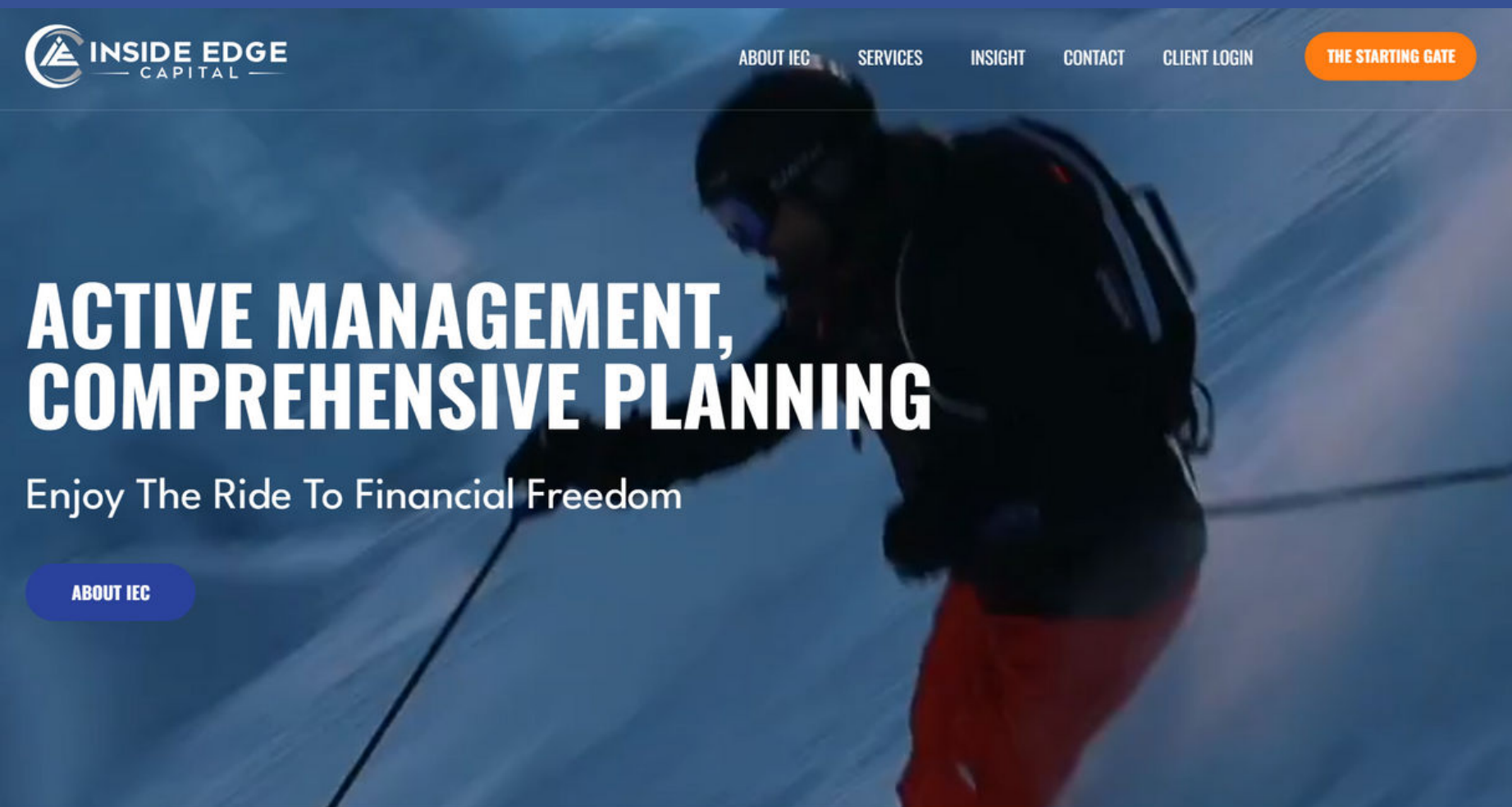
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The information within this report was researched by Inside Edge Capital with the tools available to the Inside Edge Capital from DTN IQ, Optuma, YCharts, CNBC, TD Ameritrade, Schwab.

Various indexes were chosen that are generally recognized as indicators or representation of the stock market in general. Indices are typically not available for direct investment, are unmanaged and do not include fees or expenses. Some indices may also not reflect reinvestment of dividends.





THE NEW WEBSITE IS LIVE!

- www.insideedgecapital.com
- Our website reflects our brand's commitment to taking a comprehensive approach to managing your finances throughout your life
- We are still adding content to add to the website, and will be presenting new content on a weekly basis



THE STARTING GATE



[To view the livestream video for this presentation click the player below](#)

- ➡ **UPDATED S&P 500 TARGETS FOR 2024**
- ➡ **LONG-DATED US YIELDS - WHY ARE THEY SPIKING?**
- ➡ **IS RECESSION IMMINENT AND HOW IS THE FED RESPONDING?**
- ➡ **UNDERSTANDING GEOPOLITICAL CONFLICTS AND THEIR IMPACT ON CRUDE OIL**

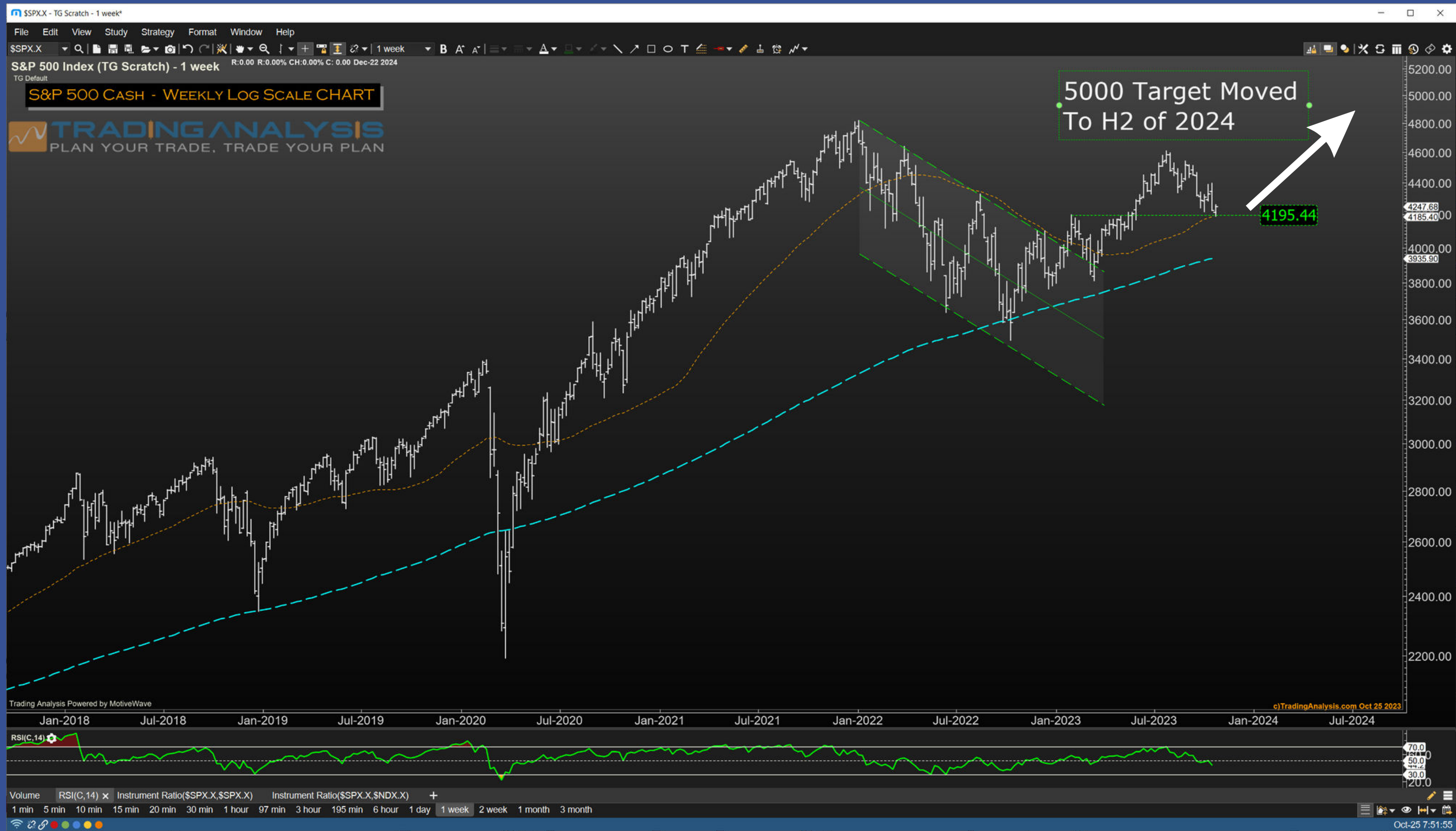


CALM WHEN THE MARKET FALLS

Financial markets are a bit like roller coasters, you need to accept that the ride will likely be bumpy. Of course, seeing markets go down can be stressful, there's no denying it, but when this happens, it's important to remain calm.



S&P 500 - MAY 2023 WE HELD A 5000 TARGET IN 2023

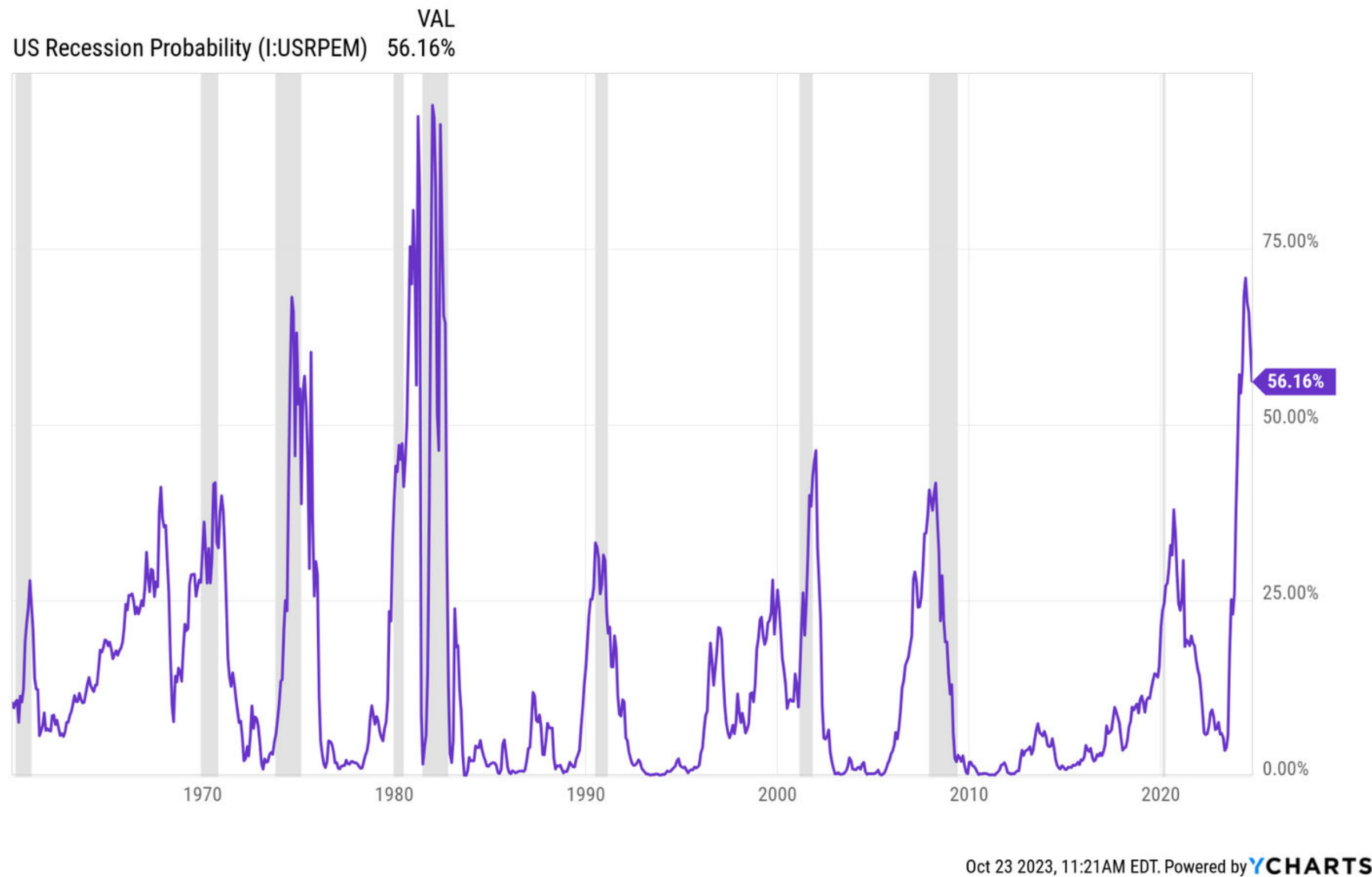


S&P 500 - THE 5000 TARGET PUSHED TO 'H2 OF 2024



IS A RECESSION INEVITABLE WITH THE FED HIKING RATES TO COMBAT INFLATION?

- Many experts have forecasted an ‘imminent’ recession beginning back in 2022, yet we’re still waiting!
- The Fed has increased interest rates by 550 bps (5.50%) to cool escalating prices following a decade of quantitative easing and policy response to the global pandemic



56.16% Chance of recession. Ed Yardeni says there's only a 30% chance of recession and markets can live with 5% yields



RECESSION - WHAT ARE THE CHANCES?

☆ Real Gross Domestic Product (GDPC1)

[DOWNLOAD](#)

Observation:

Q2 2023: 2.4

(+ more)

Updated: Sep 28, 2023

Units:

Percent Change from Year Ago,
Seasonally Adjusted Annual Rate

Frequency:

Quarterly

1Y | 5Y | 10Y | Max

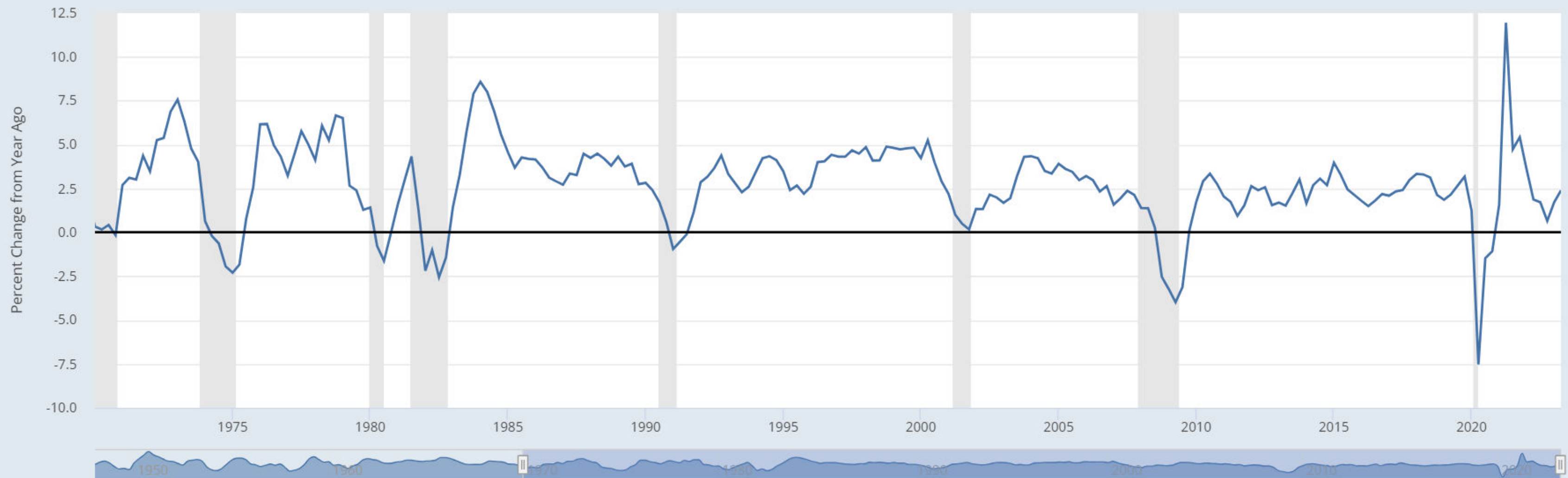
1970-01-01

to

2023-04-01

[EDIT GRAPH](#)

FRED — Real Gross Domestic Product



Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Economic Analysis

fred.stlouisfed.org

RECESSION - WHAT ARE THE CHANCES?

Observation:
Q3 2023: **2.31**
(+ more)
Updated: Oct 20, 2023

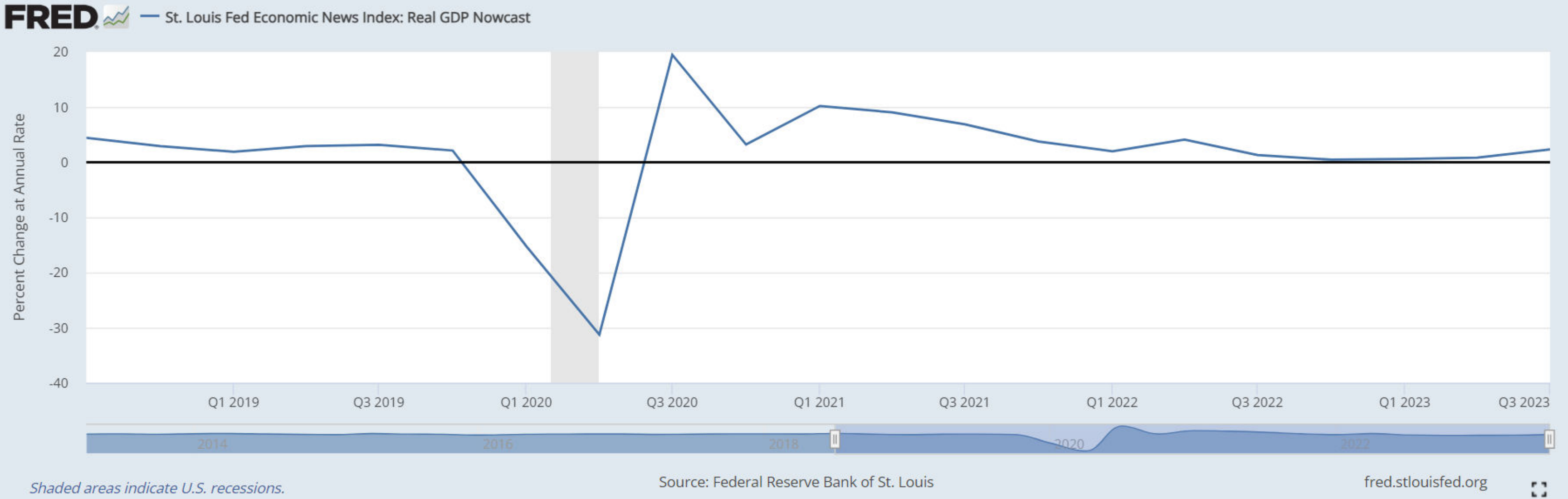
Units:
Percent Change at Annual Rate,
Seasonally Adjusted Annual Rate

Frequency:
Quarterly

1Y | 5Y | 10Y | Max

2018-07-01 to 2023-07-01

EDIT GRAPH



RECESSION - WHAT ARE THE CHANCES?

Thursday, October 26, 2023	Expected	Prior
Continuing Jobless Claims	1,720K	1,734K
Core Durable Goods Orders (MoM) (Sep)	0.3%	0.4%
Core PCE Prices (Q3) P	2.50%	3.70%
Durable Goods Orders (MoM) (Sep)	0.6%	0.1%
Durables Excluding Defense (MoM) (Sep)		-0.7%
GDP (QoQ) (Q3) P	4.1%	2.1%
GDP Price Index (QoQ) (Q3) P	2.5%	1.7%
GDP Sales (Q3) P		2.1%
Goods Orders Non Defense Ex Air (MoM) (Sep)	0.3%	0.9%
Goods Trade Balance (Sep) P	-85.50B	-84.64B
Initial Jobless Claims	209K	198K
Jobless Claims 4-Week Avg.		205.75K
PCE Prices (Q3) P		2.5%
Real Consumer Spending (Q3) P		0.8%
Retail Inventories Ex Auto (Sep) P		0.5%
Wholesale Inventories (MoM) P	0.1%	-0.1%
Fed Waller Speaks u		
Pending Home Sales (MoM) (Sep)	-1.3%	-7.1%
Pending Home Sales Index (Sep)		71.8

Friday, October 27, 2023	Expected	Prior
Dallas Fed PCE (Sep)		2.60%
Core PCE Price Index (MoM) (Sep)	0.3%	0.1%
Core PCE Price Index (YoY) (Sep)	3.7%	3.9%
PCE Price index (YoY) (Sep)	3.4%	3.5%
PCE price index (MoM) (Sep)	0.3%	0.4%
Personal Income (MoM) (Sep)	0.4%	0.4%
Personal Spending (MoM) (Sep)	0.5%	0.4%
Real Personal Consumption (MoM) (Sep)		0.1%
Fed Vice Chair for Supervision Barr Speaks u		
Michigan 1-Year Inflation Expectations (Oct)	3.8%	3.8%
Michigan 5-Year Inflation Expectations (Oct)	3.0%	3.0%
Michigan Consumer Expectations (Oct)	60.7	60.7
Michigan Consumer Sentiment (Oct)	63.0	63.0
Michigan Current Conditions (Oct)	66.7	66.7
U.S. Baker Hughes Oil Rig Count		502
U.S. Baker Hughes Total Rig Count		624

bea

Data

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Release Schedule

Release Schedule

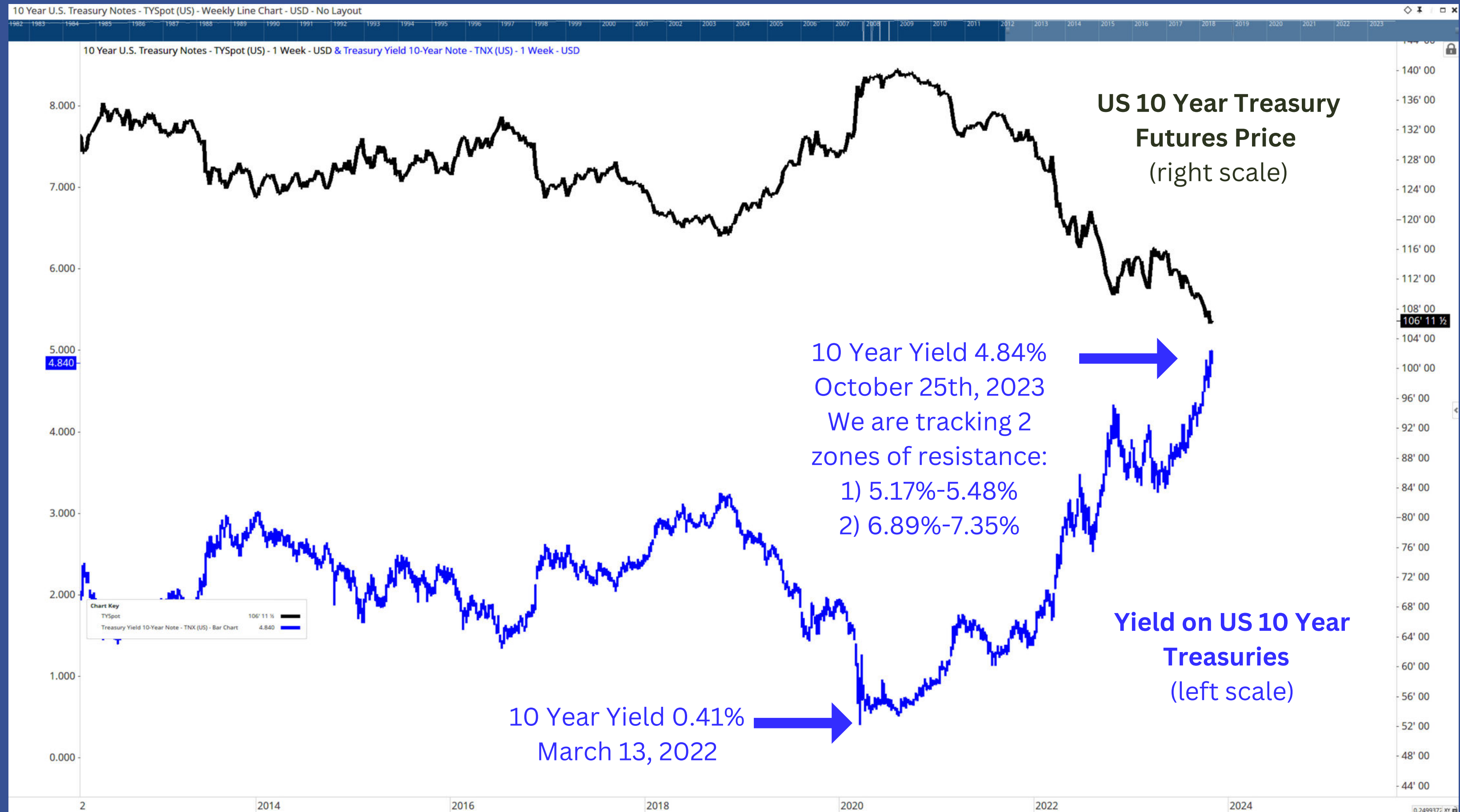
Upcoming Releases

Full Schedule

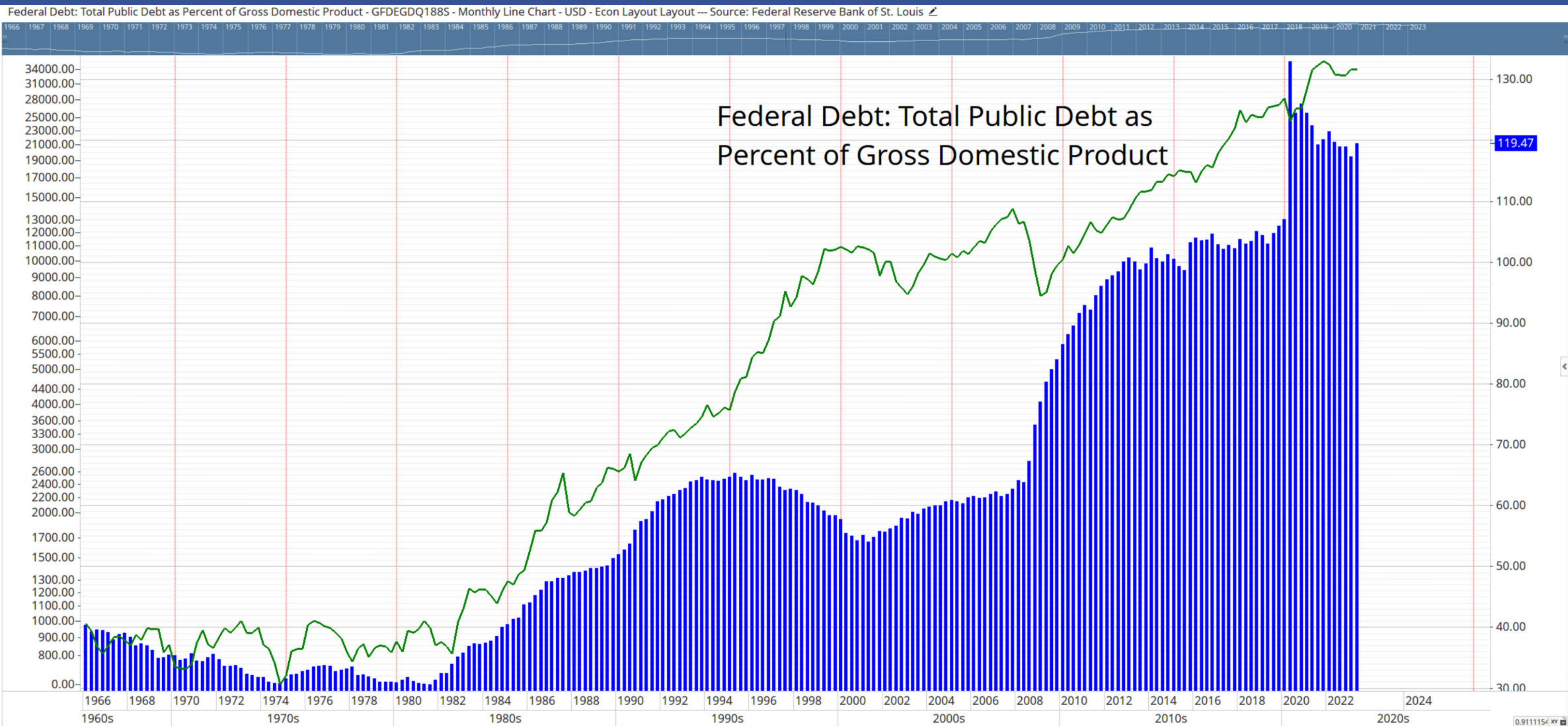
Upcoming Releases

News Release	Date	Time
Gross Domestic Product, 3rd Quarter 2023 (Advance Estimate)	October 26	08:30 AM
Personal Income and Outlays, September 2023	October 27	08:30 AM
U.S. International Trade in Goods and Services, September 2023	November 7	08:30 AM
Personal Income by County and Metropolitan Area, 2022	November 16	08:30 AM
Activities of U.S. Multinational Enterprises, 2021	November 17	08:30 AM
Gross Domestic Product, 3rd Quarter 2023 (Second Estimate) and Corporate Profits (Preliminary)	November 29	08:30 AM
Personal Income and Outlays, October 2023	November 30	08:30 AM
U.S. International Trade in Goods and Services, October 2023	December 6	08:30 AM
Gross Domestic Product by County and Metropolitan Area, 2022	December 7	08:30 AM
Real Personal Consumption Expenditures by State and Real Personal Income by State and Metropolitan Area, 2022	December 14	08:30 AM
U.S. International Transactions, 3rd Quarter 2023	December 20	08:30 AM
Gross Domestic Product, 3rd Quarter 2023 (Third Estimate), GDP by Industry, and Corporate Profits (Revised)	December 21	08:30 AM
Personal Income and Outlays, November 2023	December 22	08:30 AM
Gross Domestic Product by State and Personal Income by State, 3rd Quarter 2023	December 22	10:00 AM
U.S. International Investment Position, 3rd Quarter 2023	December 28	08:30 AM

FIRST READING OF Q3 GDP THURSDAY



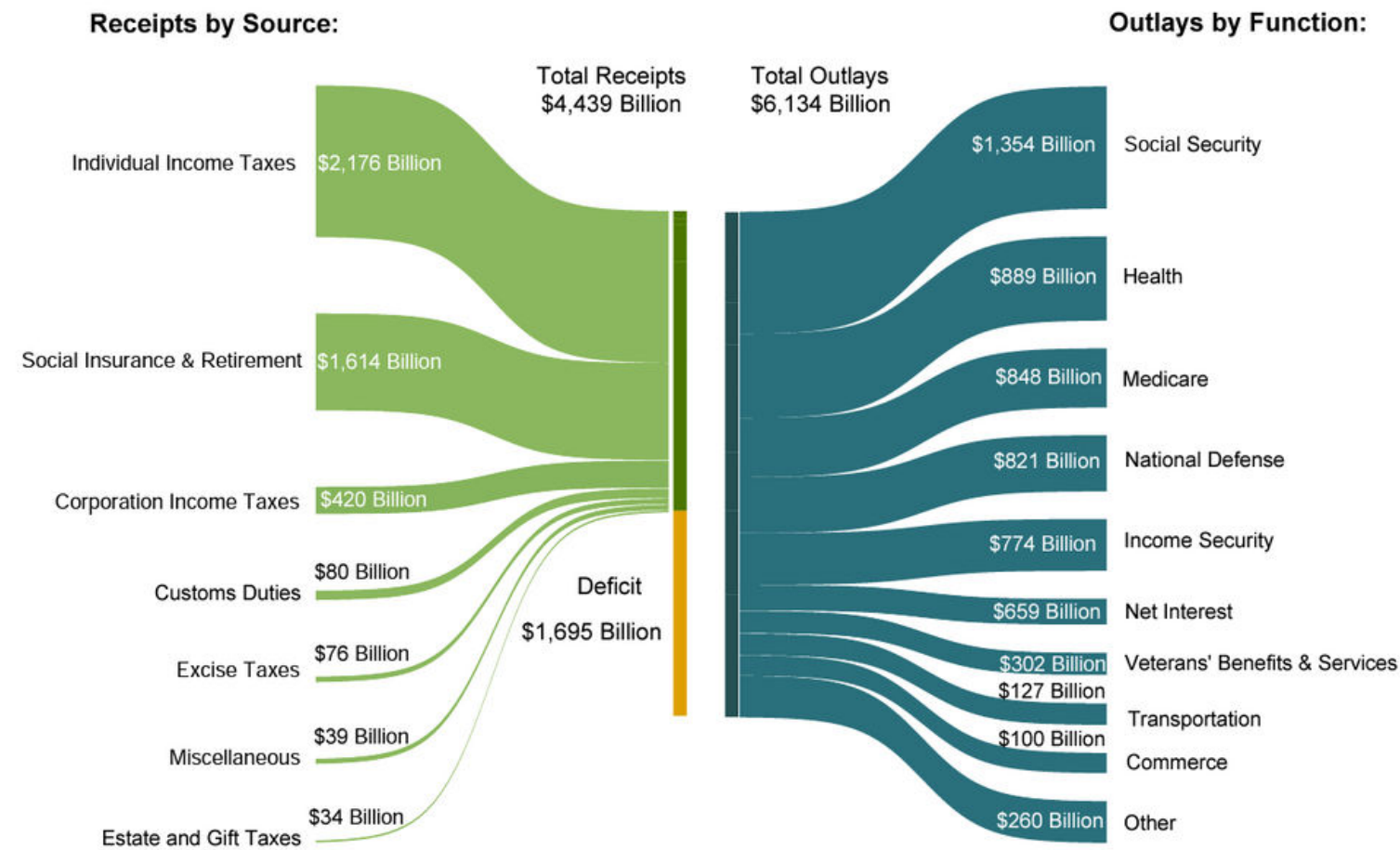
US BUDGET DEFICIT \$1.7 TRILLION



TOTAL PUBLIC DEBT % OF GDP RUNNING AT 120%



Figure 2. Cumulative Receipts, Outlays, and Surplus/Deficit through Fiscal Year 2023



ECONOMY

U.S. wraps up fiscal year with a budget deficit near \$1.7 trillion, up 23%

PUBLISHED FRI, OCT 20 2023 4:06 PM EDT | UPDATED FRI, OCT 20 2023 5:18 PM EDT

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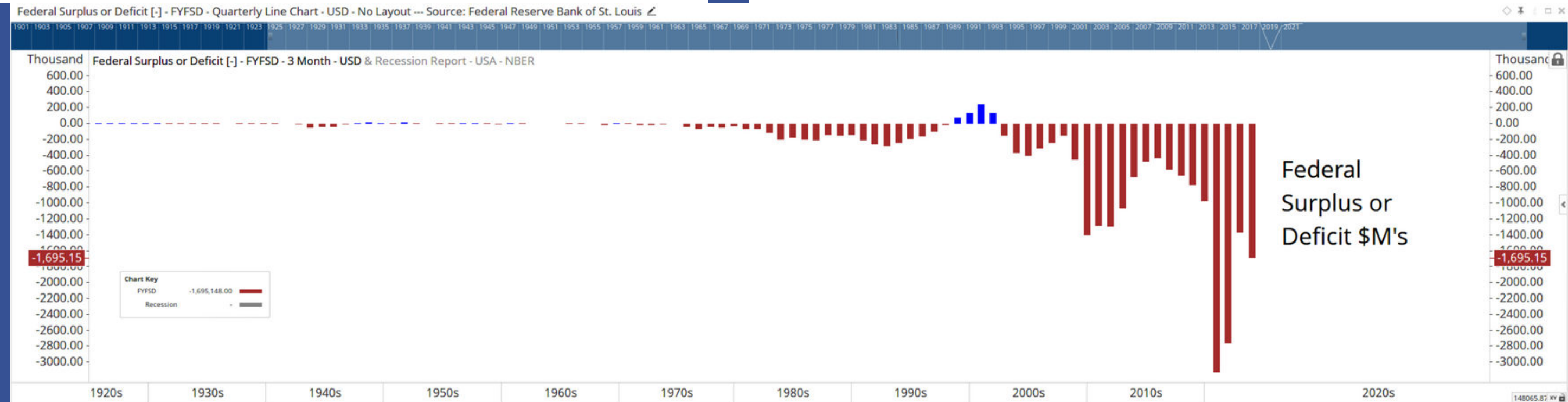
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KEY POINTS

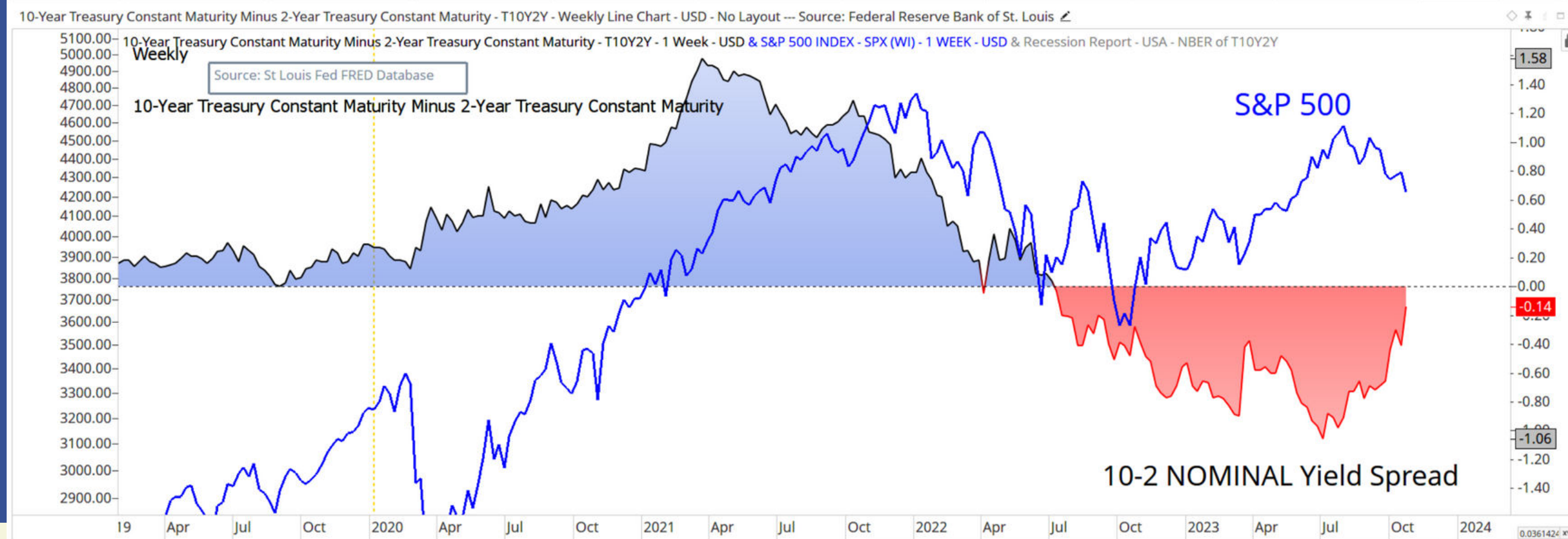
- The federal government wound up its fiscal year in September.
- Wrapping up a year in which some thought the shortfall could exceed \$2 trillion, the U.S. ended up with an imbalance of \$1.695 trillion, up about \$320 billion.
- The budget report comes the same week Biden asked Congress to allocate \$105 billion for "national security priorities."

Squawk on the Street
UP NEXT | Fast Money Halftime
pm ET

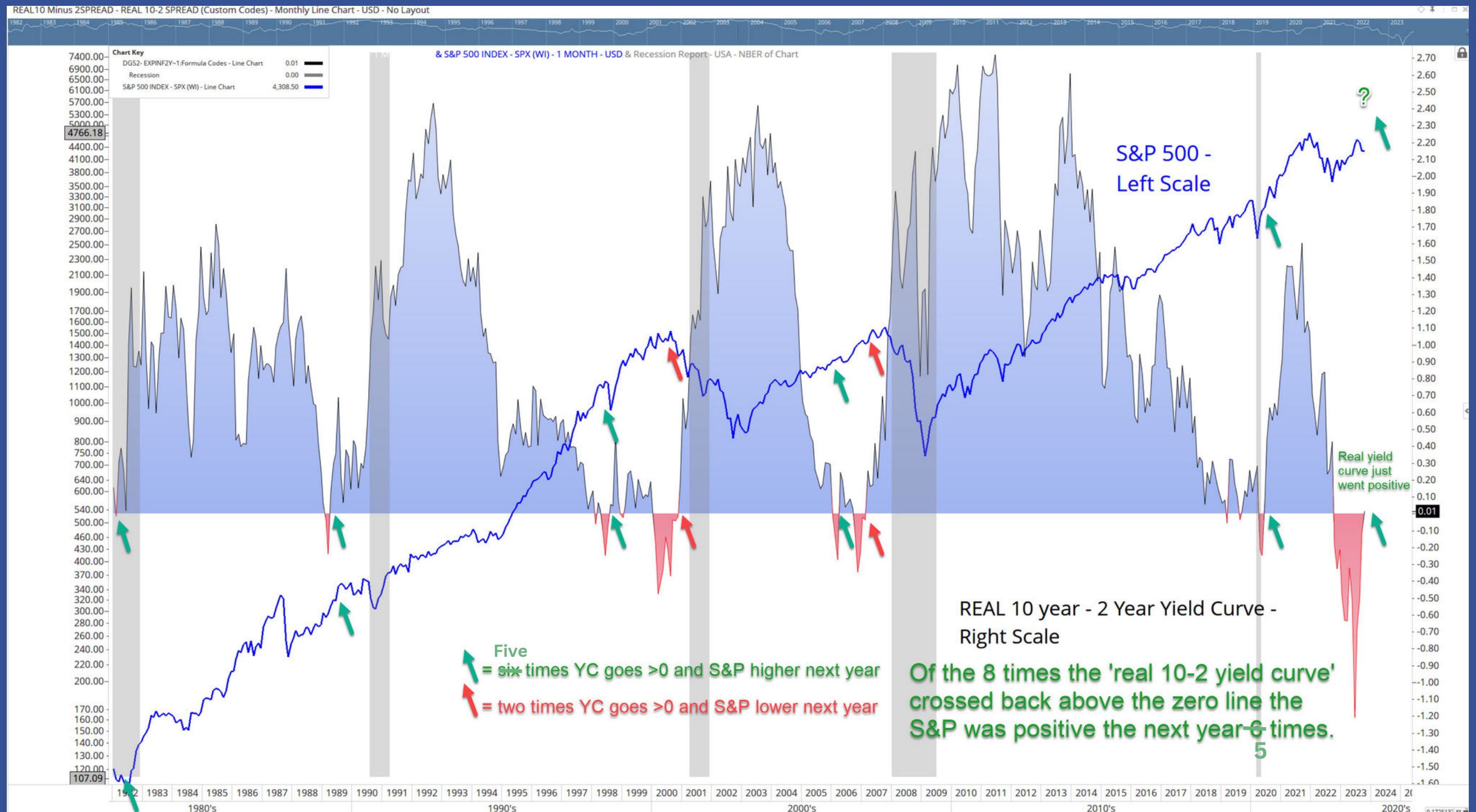
TRENDING NOW
Gaza hea



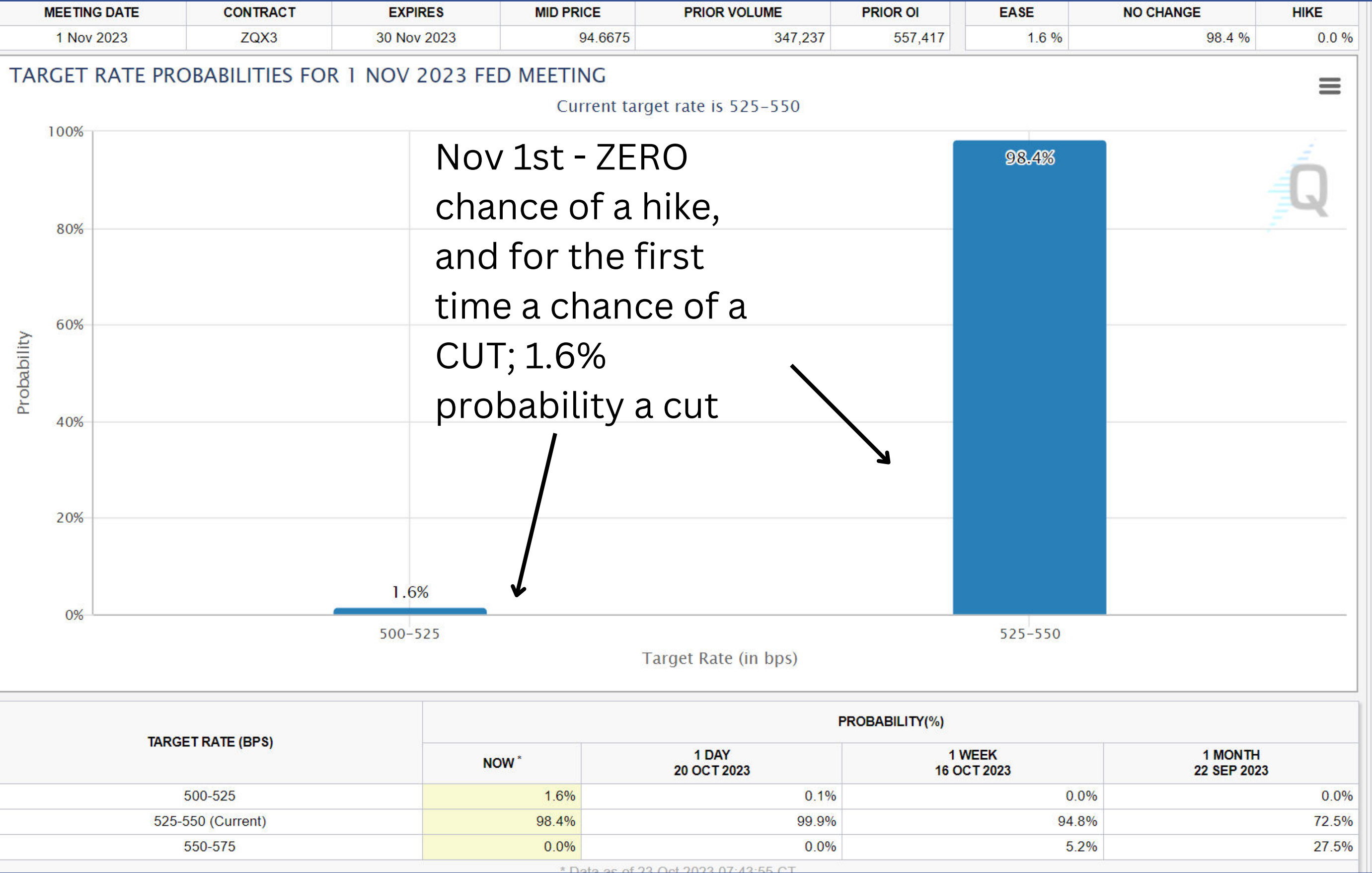
US BUDGET DEFICIT \$1.7 TRILLION

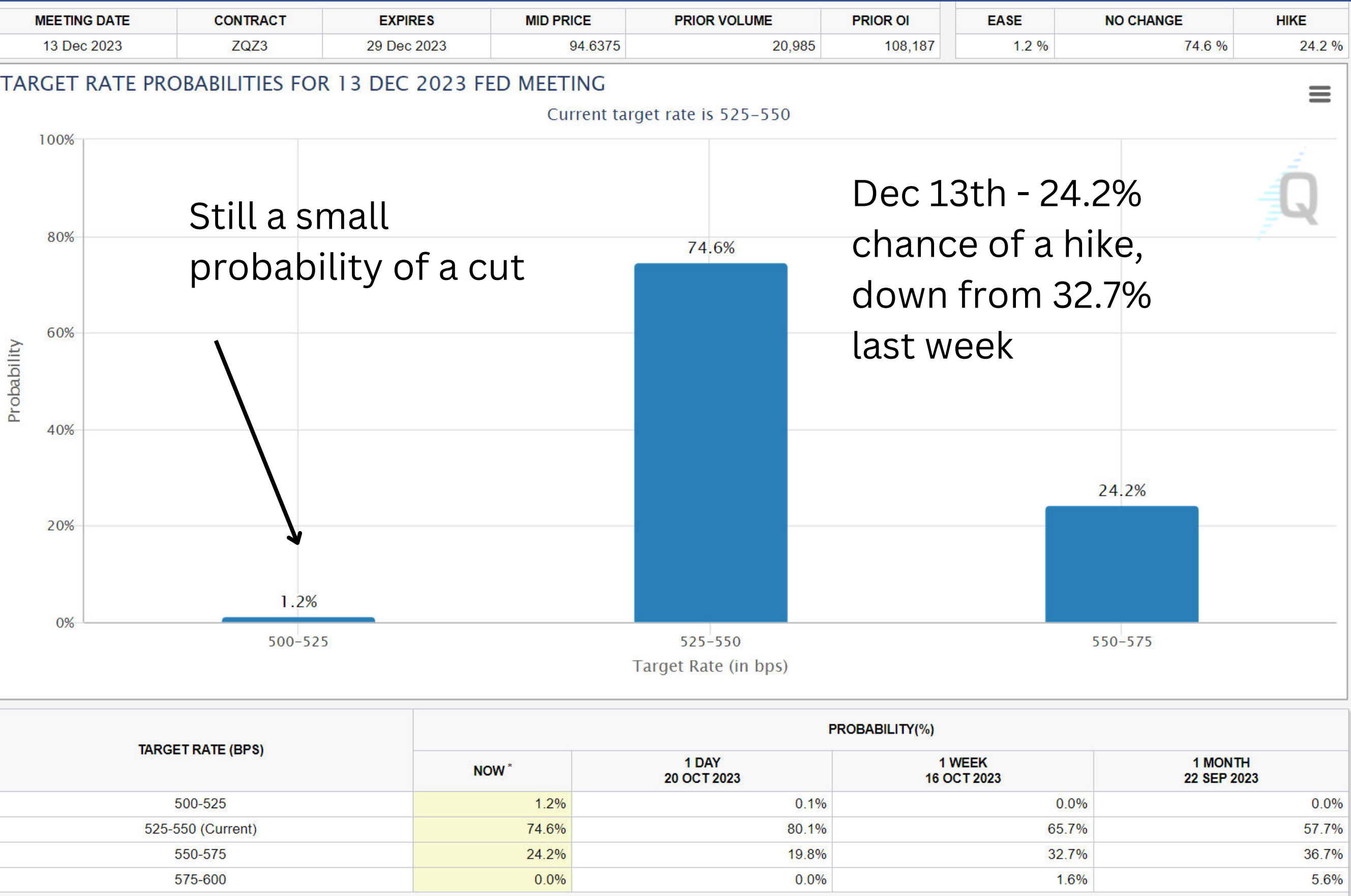


10-2 NOMINAL AND REAL YIELD SPREAD



10-2 NOMINAL AND REAL YIELD SPREAD





MEETING PROBABILITIES										
MEETING DATE	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550	550-575	575-600
11/1/2023			0.0%	0.0%	0.0%	0.0%	1.6%	98.4%	0.0%	0.0%
12/13/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	74.6%	24.2%	0.0%
1/31/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	64.0%	31.5%	3.5%
3/20/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	11.1%	58.8%	27.0%	2.9%
5/1/2024	0.0%	0.0%	0.0%	0.0%	0.1%	5.0%	32.0%	44.8%	16.4%	1.7%
6/12/2024	0.0%	0.0%	0.0%	0.0%	2.2%	17.0%	37.7%	32.3%	9.9%	0.9%
7/31/2024	0.0%	0.0%	0.0%	1.2%	10.3%	28.3%	34.7%	20.0%	5.0%	0.4%
9/18/2024	0.0%	0.0%	0.7%	6.2%	20.2%	31.8%	26.6%	11.7%	2.5%	0.2%
11/7/2024	0.0%	0.3%	3.2%	12.5%	25.4%	29.5%	19.9%	7.6%	1.4%	0.1%
12/18/2024	0.2%	1.8%	7.9%	19.1%	27.5%	24.6%	13.6%	4.4%	0.8%	0.1%

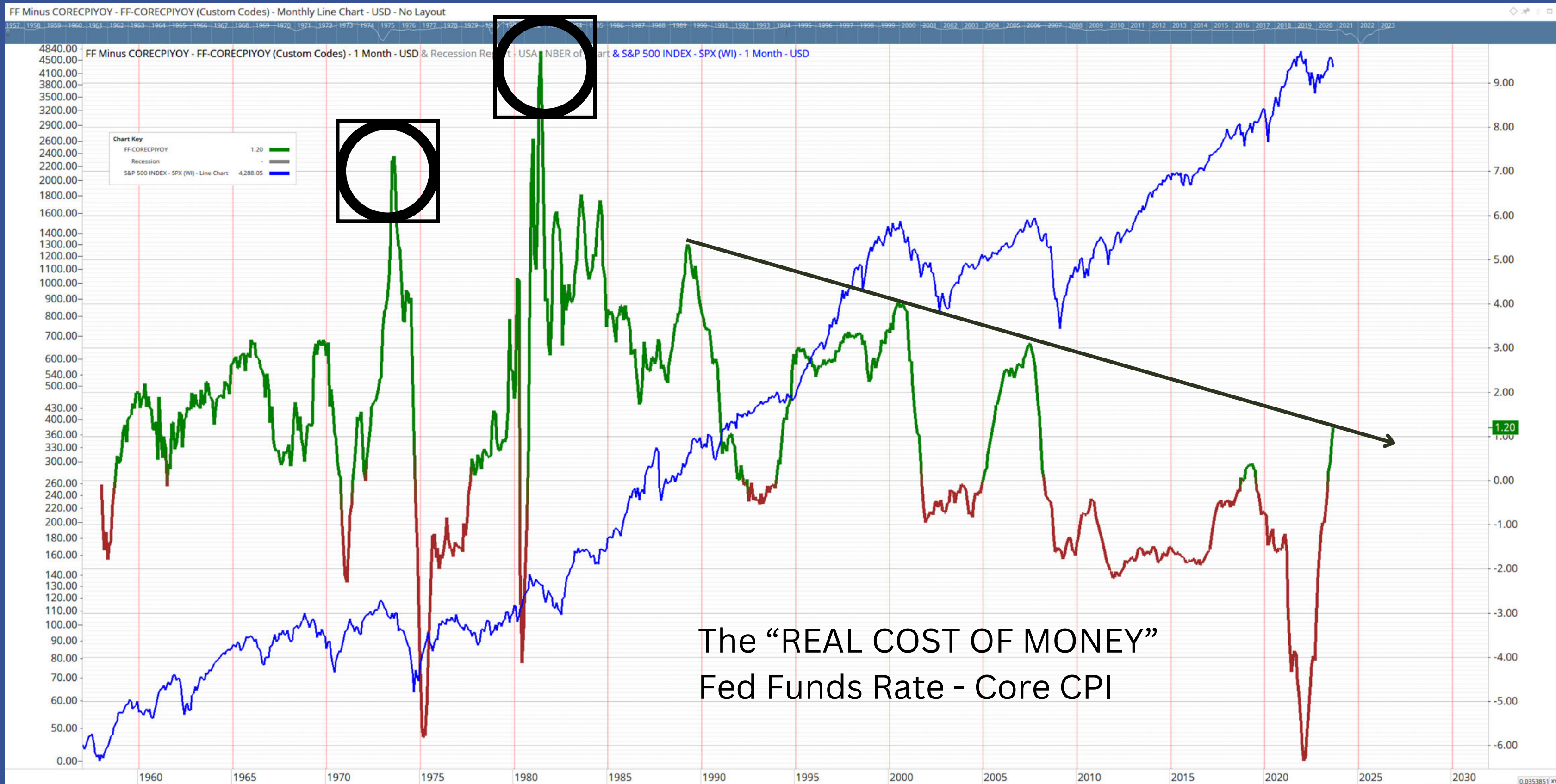
The chances of another rate hike has been pushed into Dec at a 24% now. The best odds for the first rate cut still is June of '24 at 57% chance

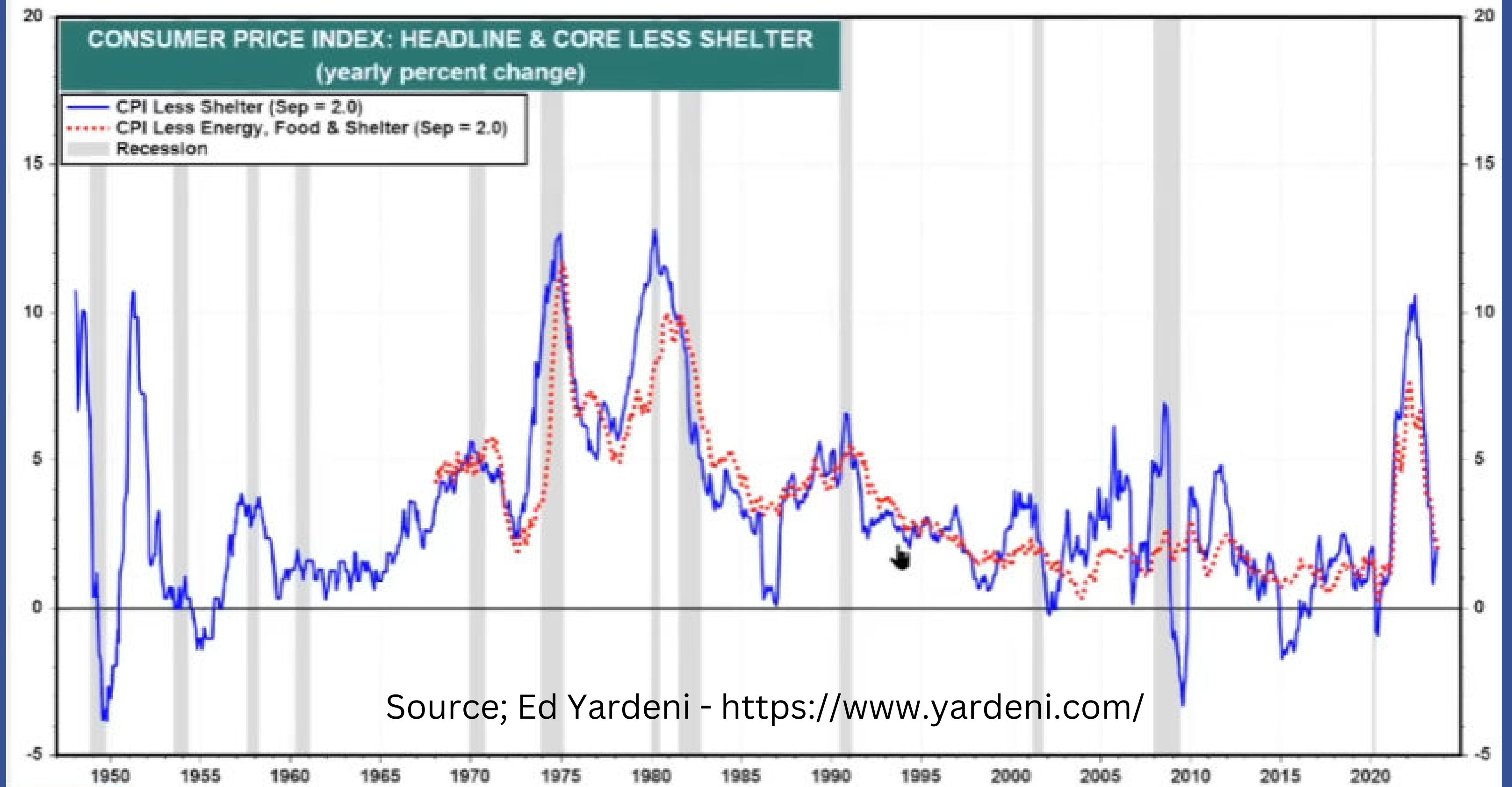
TOTAL PROBABILITIES				
MEETING DATE	DAYS TO MEETING	EASE	NO CHANGE	HIKE
11/1/2023	9	1.59 %	98.41 %	0.00 %
12/13/2023	51	1.20 %	74.56 %	24.24 %
1/31/2024	100	1.03 %	63.95 %	35.02 %
3/20/2024	149	11.26 %	58.76 %	29.98 %
5/1/2024	191	37.09 %	44.81 %	18.09 %
6/12/2024	233	56.93 %	32.25 %	10.81 %
7/31/2024	282	74.60 %	20.01 %	5.40 %
9/18/2024	331	85.60 %	11.74 %	2.66 %
11/7/2024	381	90.88 %	7.58 %	1.55 %
12/18/2024	422	94.75 %	4.44 %	0.81 %

Source: w

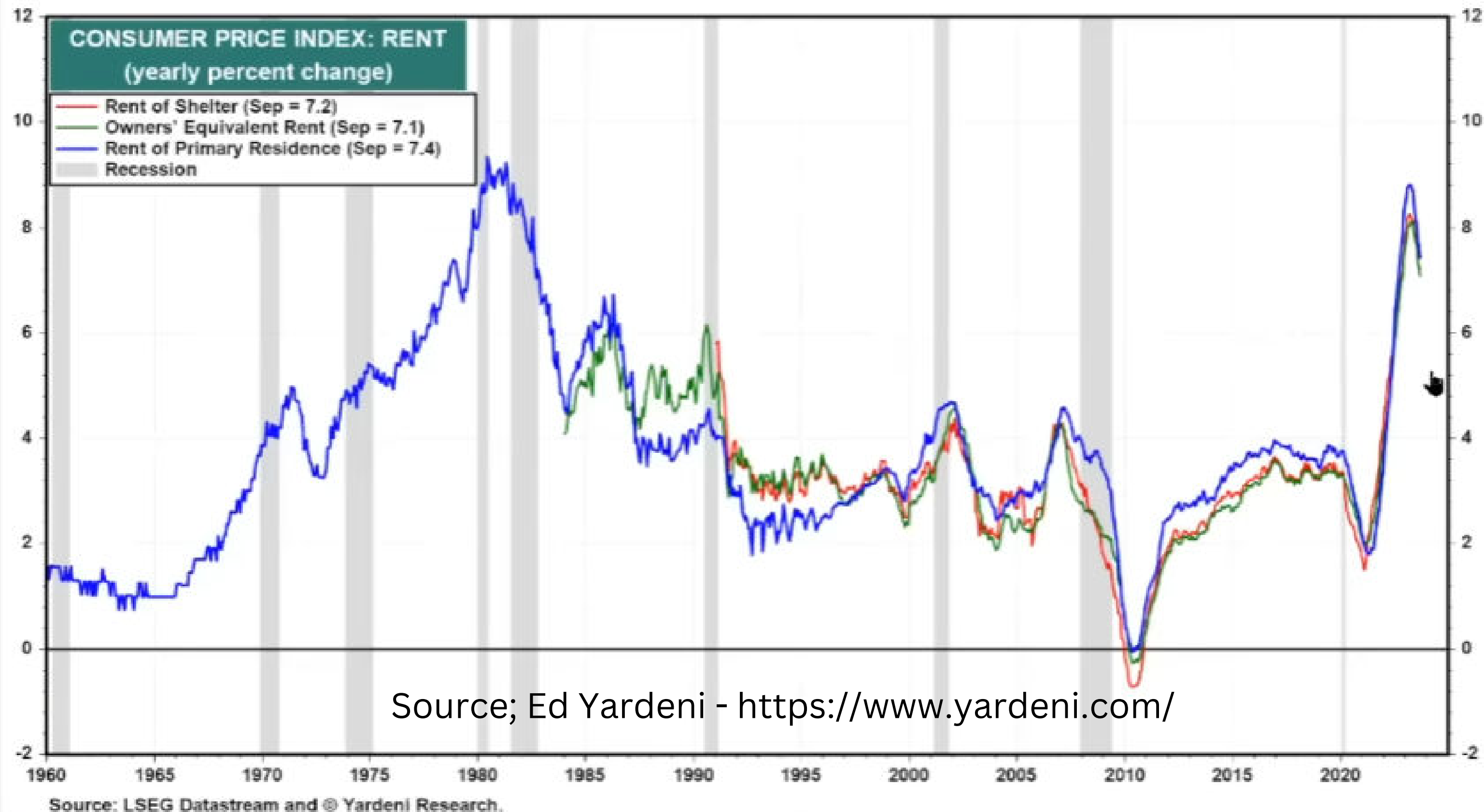


CORE CPI READINGS - 1958-TODAY





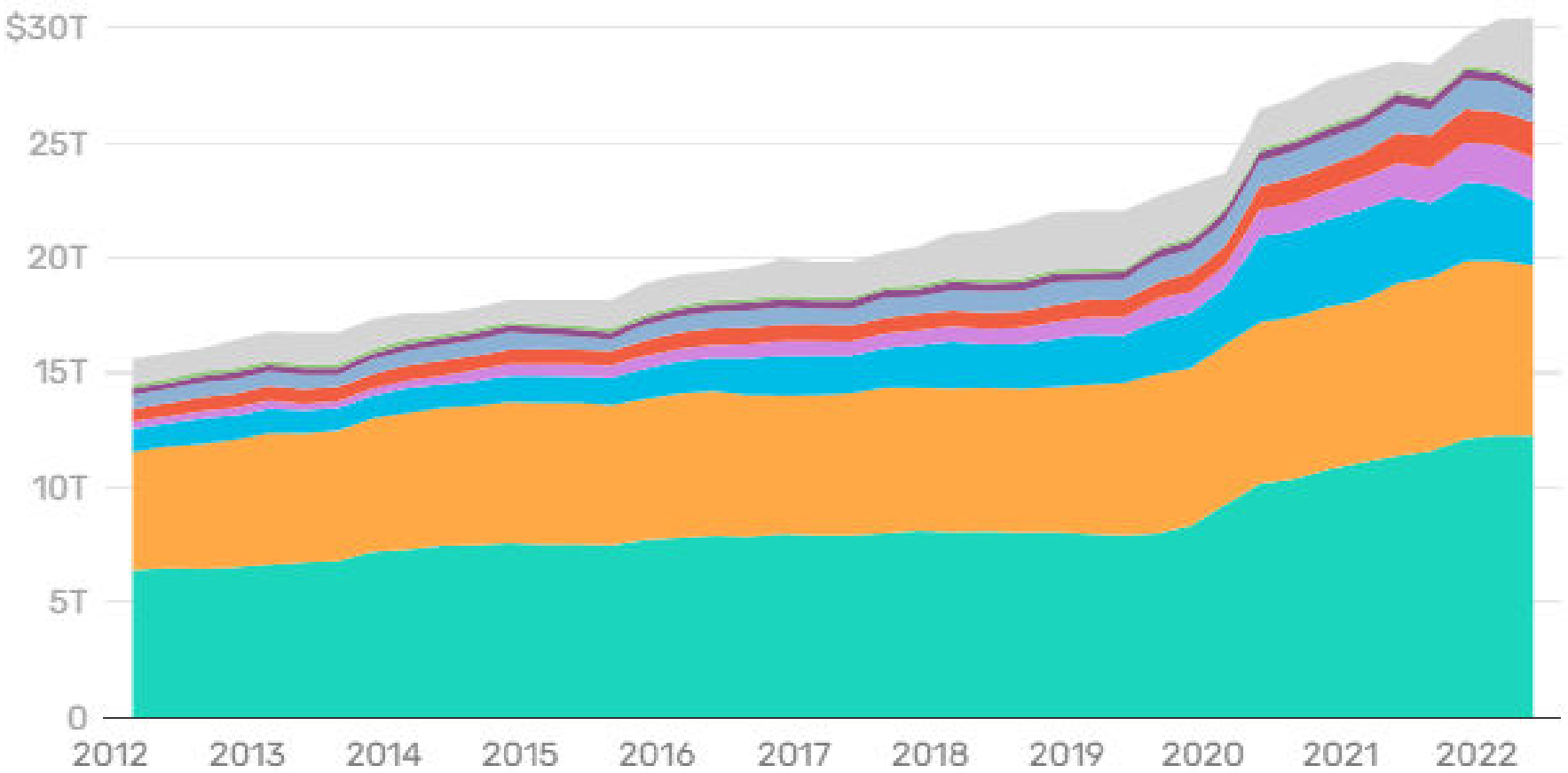
CORE CPI - SHELTER



CPI SHELTER - RENT, OWNER'S EQUIVALENT RENT

U.S. Treasury Securities Holders by Type

The largest holder of U.S. debt is the U.S government.



Source: Treasury Department
Chart: The Balance • [Get the data](#) • [Add this chart to your site](#)



Table 5: Major Foreign Holders of Treasury Securities							
Holdings at end of time period							
Billions of dollars							
Link: https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/slt_table5.txt							
Country	2023-08	2023-07	2023-06	2023-05	2023-04	2023-03	2023-02
Japan	1116.2	1112.5	1105.6	1096.8	1125.8	1086.6	1086.6
China, Mainland	805.4	821.8	835.4	846.7	868.9	869.3	869.3
United Kingdom	698.1	662.4	673.8	657.0	675.6	705.0	698.1
Luxembourg	365.8	349.9	329.4	331.5	332.3	328.5	328.5
Belgium	316.7	318.7	332.4	335.5	336.6	337.0	337.0
Cayman Islands	309.3	295.6	266.2	263.1	275.8	288.5	288.5
Canada	295.1	293.9	274.4	265.9	247.1	245.3	245.3
Ireland	294.4	271.5	271.4	245.1	244.9	253.0	253.0
Switzerland	283.5	301.5	305.8	304.4	298.3	305.4	305.4
Taiwan	241.0	243.0	241.3	239.8	244.5	239.5	239.5
India	232.5	233.1	235.4	238.3	238.7	237.9	237.9
France	228.2	227.5	218.2	212.9	201.0	184.4	184.4
Brazil	223.2	224.7	227.5	230.0	229.8	224.4	224.4
Hong Kong	202.6	205.6	198.4	216.1	222.2	223.1	223.1
Singapore	184.2	186.1	187.2	203.2	201.1	194.9	194.9
Norway	126.3	127.5	126.4	122.0	122.8	119.1	119.1
Korea, South	117.8	115.7	115.1	115.4	111.5	113.9	113.9
Saudi Arabia	112.0	109.2	108.6	111.3	113.3	116.2	116.2
Germany	96.4	95.9	95.9	92.0	87.4	85.5	85.5
Bermuda	86.9	86.1	73.9	71.8	75.0	79.1	79.1
All Other	1371.5	1372.4	1357.3	1321.2	1321.6	1320.3	1320.3
Grand Total	7707.0	7654.9	7579.6	7520.0	7574.3	7557.0	7557.0
Of Which: Foreign Official	3739.5	3760.4	3767.4	3782.7	3789.7	3769.9	3769.9
Of Which: Foreign Official Treasury Bills	237.8	236.6	215.9	234.4	231.3	252.3	252.3
Of Which: Foreign Official T-Bonds & Notes	3501.7	3523.8	3551.5	3548.3	3558.4	3517.6	3517.6
Notes:							

Foreign Holdings of US Treasuries

Internationals hold \$7.75T of the \$32T outstanding. China has \$821B of that \$7.7T, so what 10.5% or so. That's so not significant. Aleks also pointed out that Russia dropped their holdings by 3/4's back in 2007 from \$100B to \$14.5B. A lot of this selling must be a combination of domestic selling and the lack of buying from QE expiring as we're now in QT. So unless the long duration fixed income is broken, I would think the internal selling will soon ease.

TREASURIES: China net seller, but broad based buying

Figure 16: ...geographically, net selling was again concentrated in China while purchases were more broad-based

Net sales of long-term Treasuries by US residents from June 2023 through August 2023 by region as well at YTD flows; \$bn

	Aug-23	Jul-23	Jun-23	YTD 2023
UK	12.5	-11.6	-1.2	99.4
Oil Exporters*	8.6	-0.2	-0.5	11.8
Euro Area†	6.7	7.0	35.3	37.6
EM ex-China**	5.0	3.3	-1.0	46.8
Ireland	2.7	-4.6	4.0	1.4
Japan	0.8	3.1	0.6	30.6
Cayman Islands	0.0	1.5	-6.0	60.3
China	-14.9	-11.2	8.1	-51.4

Source: Treasury International Capital System

*Oil exporters include all OPEC members (excluding Equatorial Guinea & Angola) and also include Bahrain, Indonesia & Oman

**EM ex-China includes Russia, Brazil, African countries, Taiwan (China), South Korea and Mexico

† Euro area include Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, Spain

Source: JPMorgan Fixed Income Research

Source; Tom Lee FS Insight sourced from JP Morgan

FOREIGN BUY / SELL ACTIVITY IN US TREASURIES





Bill Ackman covers bet against Treasurys, says ‘too much risk in the world’ to bet against bonds

10-year Treasury yield dips after topping 5%
10-year Treasury tops key 5% level again: What that means for you

Bill Ackman covers bet against Treasurys, says ‘too much risk in the world’ to bet against bonds

PUBLISHED MON, OCT 23 2023 10:03 AM EDT | UPDATED 22 MIN AGO



Yun Li
@YUNLI626

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KEY POINTS

- Pershing Square’s Bill Ackman revealed Monday he covered his bet against long-term Treasurys.
- The hedge fund manager believes investors may increasingly buy bonds as a safe haven because of growing geopolitical risks.
- Ackman also added that he removed the short because of concern about the economy.



Squawk on the Street

WATCH LIVE

UP NEXT | **Fast Money Halftime** 12:00 pm ET [Listen](#)

TRENDING NOW



Gaza health ministry says death toll tops 5,000; Israeli soldiers conducting ‘readiness’ exercises



Bond Vigilante

[ˈbænd,vi-ja-ˈlan-tē]

A bond trader who threatens to sell, or actually sells, a large amount of bonds to protest or signal distaste with policies of the issuer.

Investopedia

Source: CNBC

Oil Prices Regain Stability After A Hugely Volatile Week

- Oil markets were heavily influenced by the U.S. last week, first by news it was lifting sanctions on Venezuela, then by reports it would be refilling its SPR, and then early on Friday morning by news that a U.S. warship had intercepted missiles fired from Yemen.



Source: www.FactSet.com

Source: CNBC

The top 10 oil¹ consumers and share of total world oil consumption in 2021²

Country	Million barrels per day	Share of world total
United States	19.89	20%
China	15.27	16%
India	4.68	5%
Russia	3.67	4%
Japan	3.41	4%
Saudi Arabia	3.35	3%
Brazil	2.89	3%
South Korea	2.56	3%
Canada	2.26	2%
Germany	2.23	2%
Total top 10	60.20	62%
World total	97.26	

¹ Oil includes crude oil, all other petroleum liquids, and biofuels.

² Data source: U.S. Energy Information Administration, International Energy Statistics, [Total oil \(petroleum and other liquids\) consumption](#), as of September 22, 2023

Learn more:

[Energy Explained: Where our oil comes from](#)

Last updated: September 22, 2023, with most recent data available. Note: Source data are subject to change since last update.

The top 10 oil¹ producers and share of total world oil production² in 2022³























































Country	Million barrels per day	Share of world total
United States	20.30	21%
Saudi Arabia	12.44	13%
Russia	10.13	10%
Canada	5.83	6%
Iraq	4.61	5%
China	4.45	5%
United Arab Emirates	4.23	4%
Iran	3.67	4%
Brazil	3.17	3%
Kuwait	3.01	3%
Total top 10	71.83	74%
World total	97.70	

¹ Oil includes crude oil, all other petroleum liquids, and biofuels.

² Production includes domestic production of crude oil, all other petroleum liquids, and biofuels and refinery processing gain.

³ Data source: U.S. Energy Information Administration, International Energy Statistics, [Total oil \(petroleum and other liquids\) production](#), as of September 22, 2023

Source: <https://www.eia.gov/tools/faqs/faq.php?id=709&t=6>

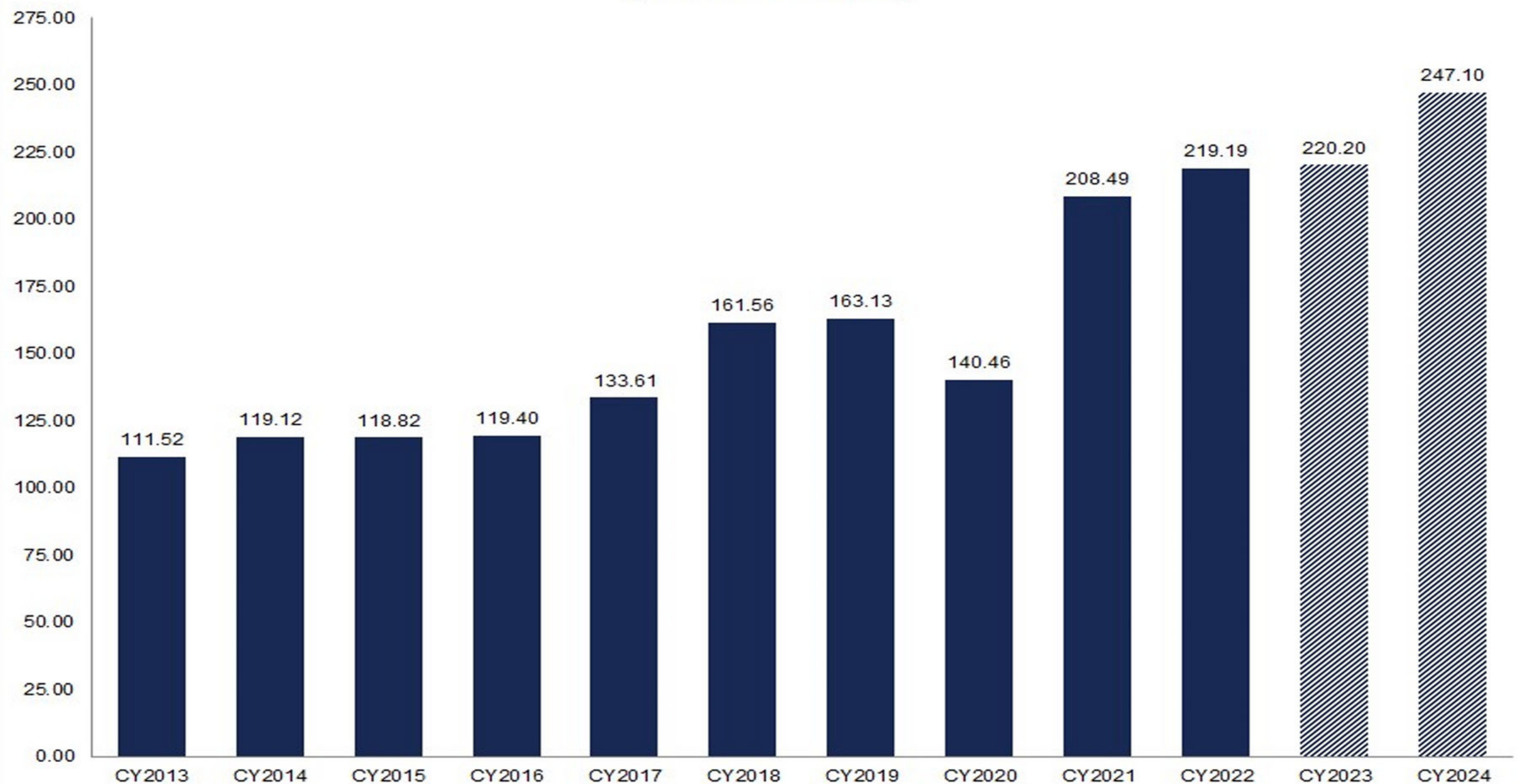
Monday		Tuesday		Wednesday		Thursday		Friday	
Before the Open	After the Close	Before the Open	After the Close	Before the Open	After the Close	Before the Open	After the Close	Before the Open	After the Close
									
									
									
									
									
									
									
									
									

WE ARE NOW IN Q3 EARNINGS SEASON



S&P 500 Calendar Year Bottom-Up EPS Actuals & Estimates

(Source: FactSet)

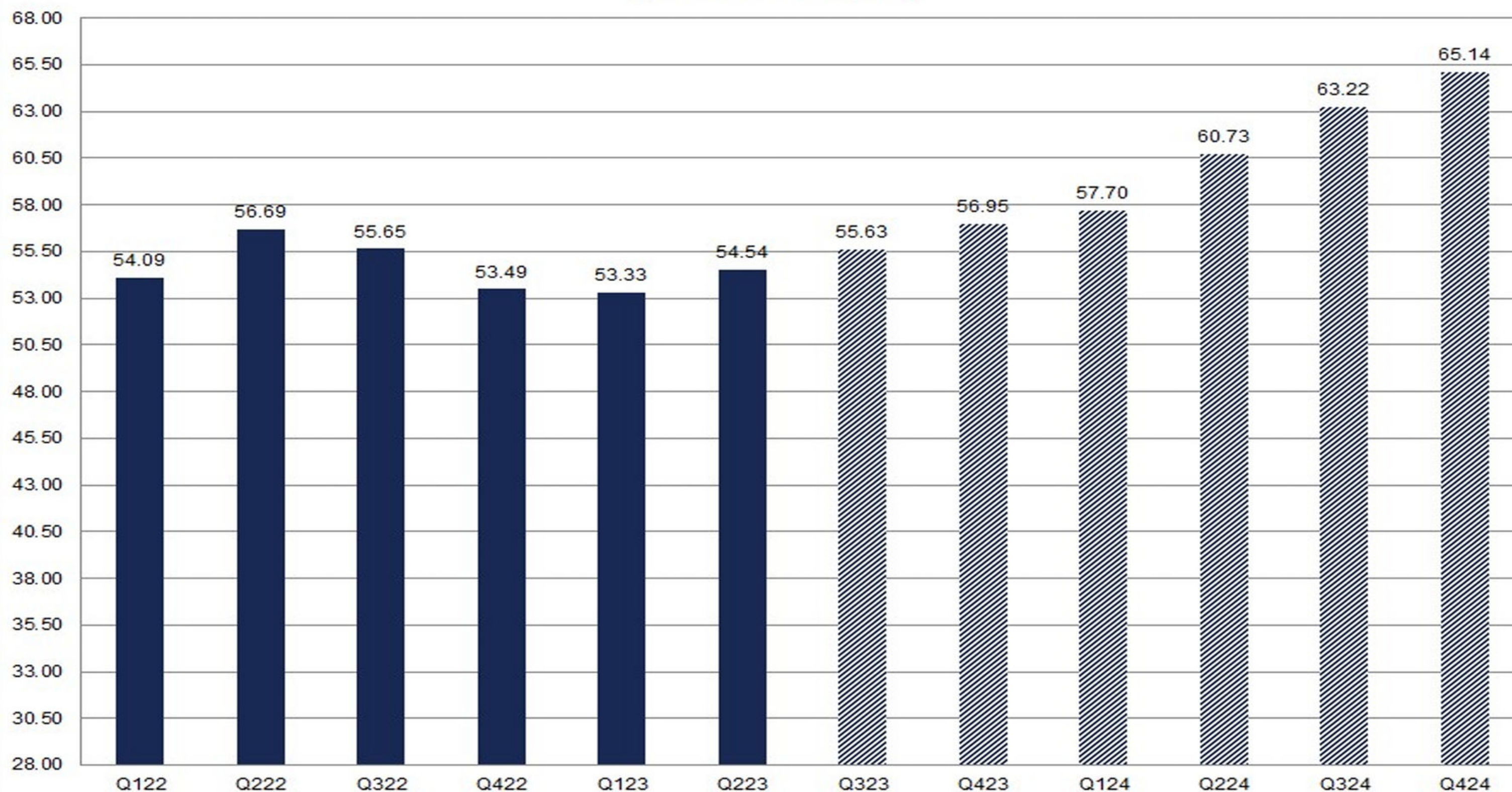


Source; John Butters - www.FactSet.com

WE ARE NOW IN Q3 EARNINGS SEASON



S&P 500 Quarterly Bottom-Up EPS Actuals & Estimates (Source: FactSet)

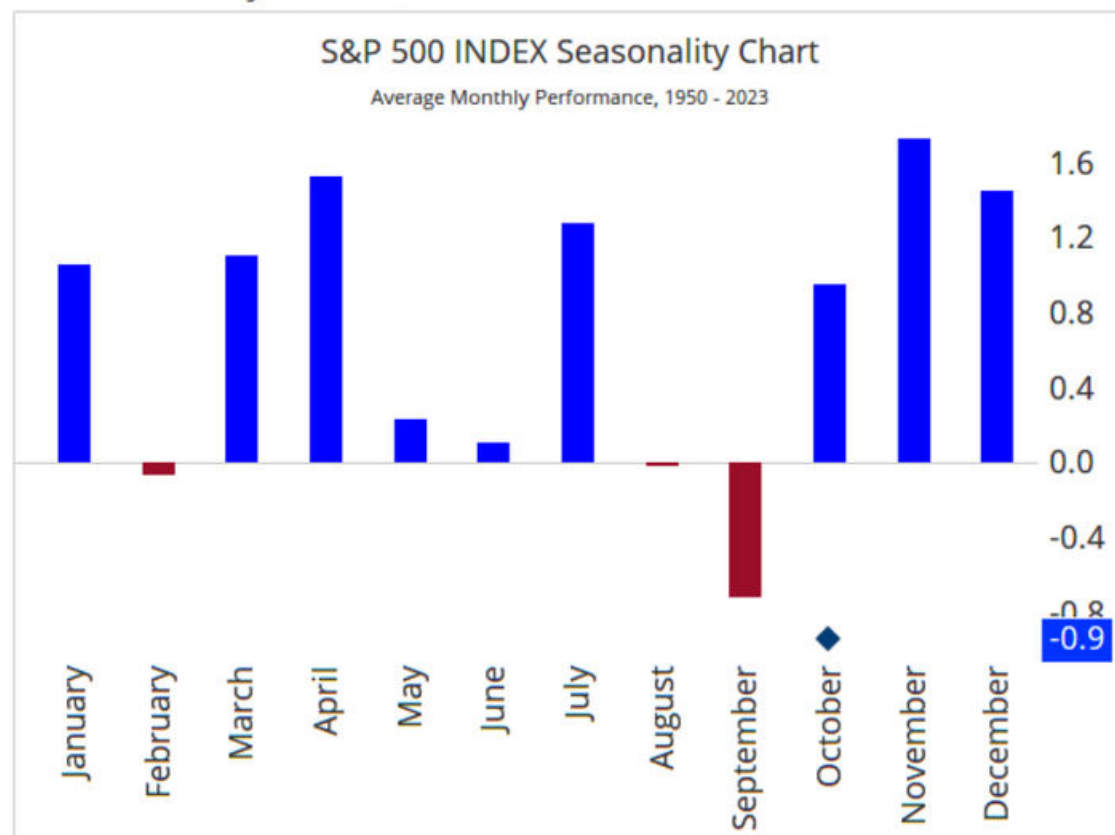


Source; John Butters - www.FactSet.com

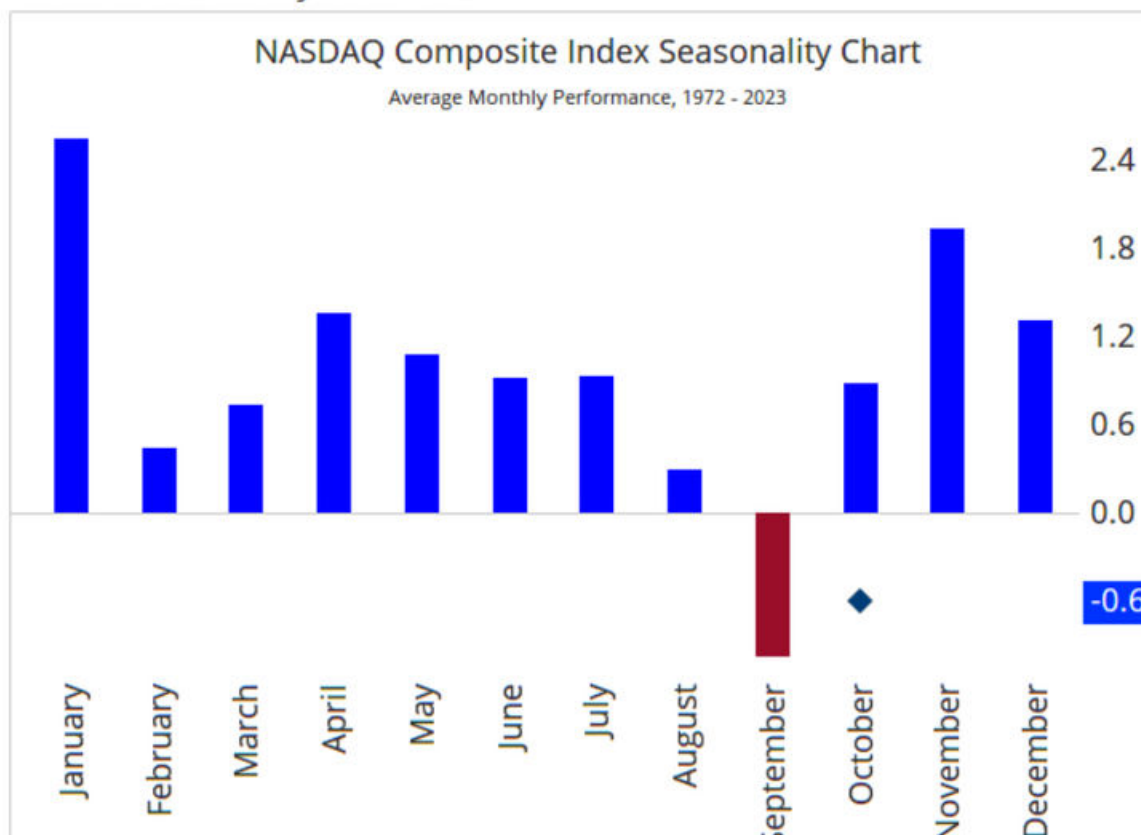
WE ARE NOW IN Q3 EARNINGS SEASON



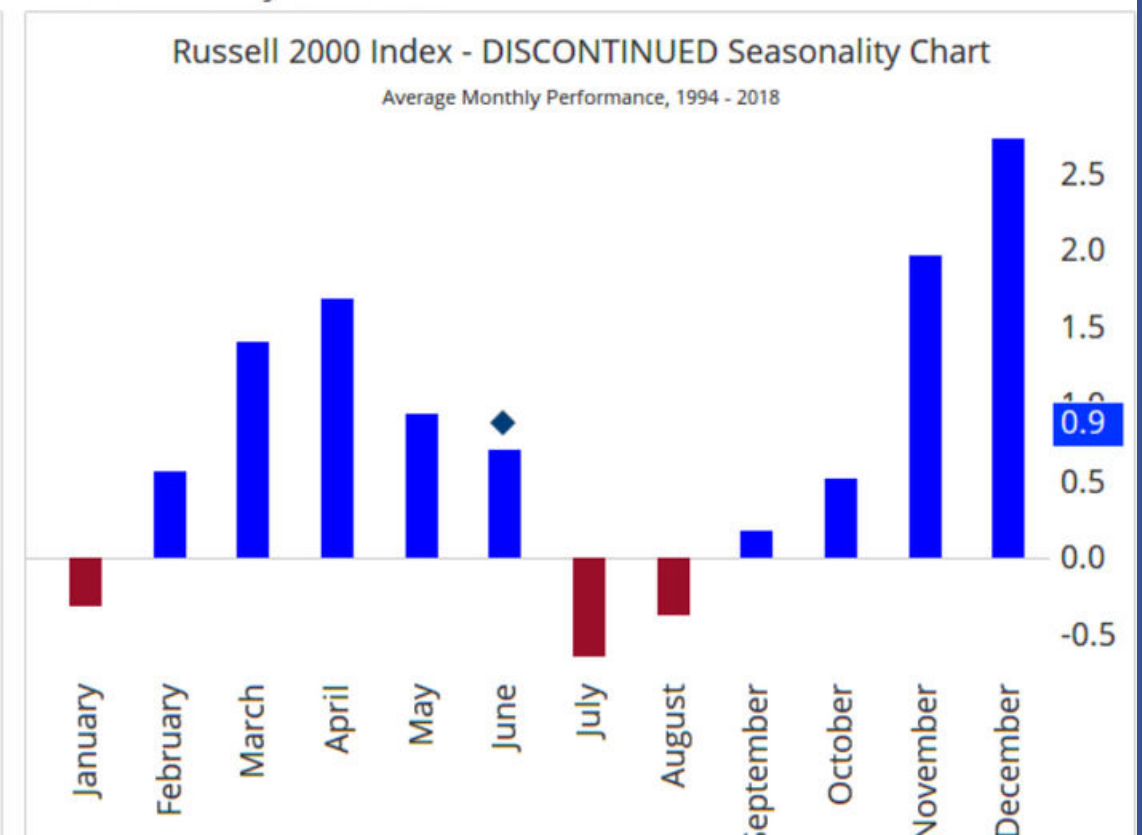
SPX - Seasonality Chart - USD



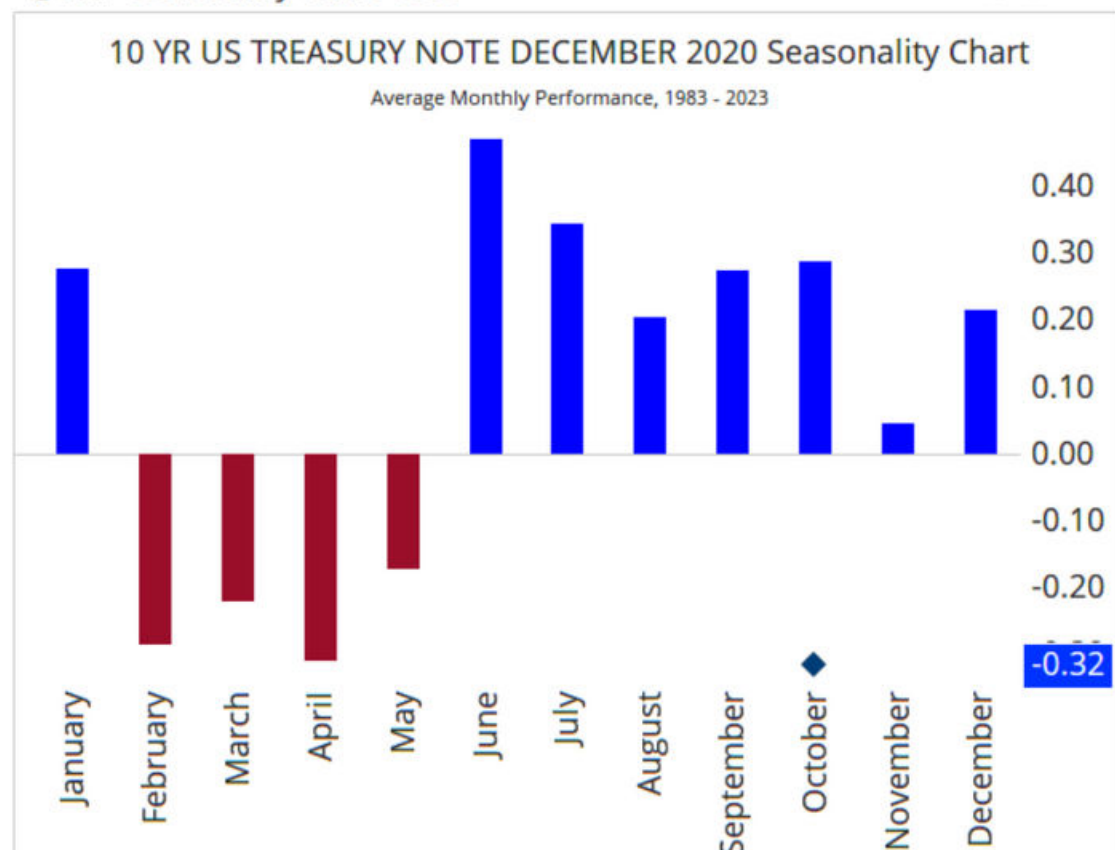
COMPX - Seasonality Chart - USD



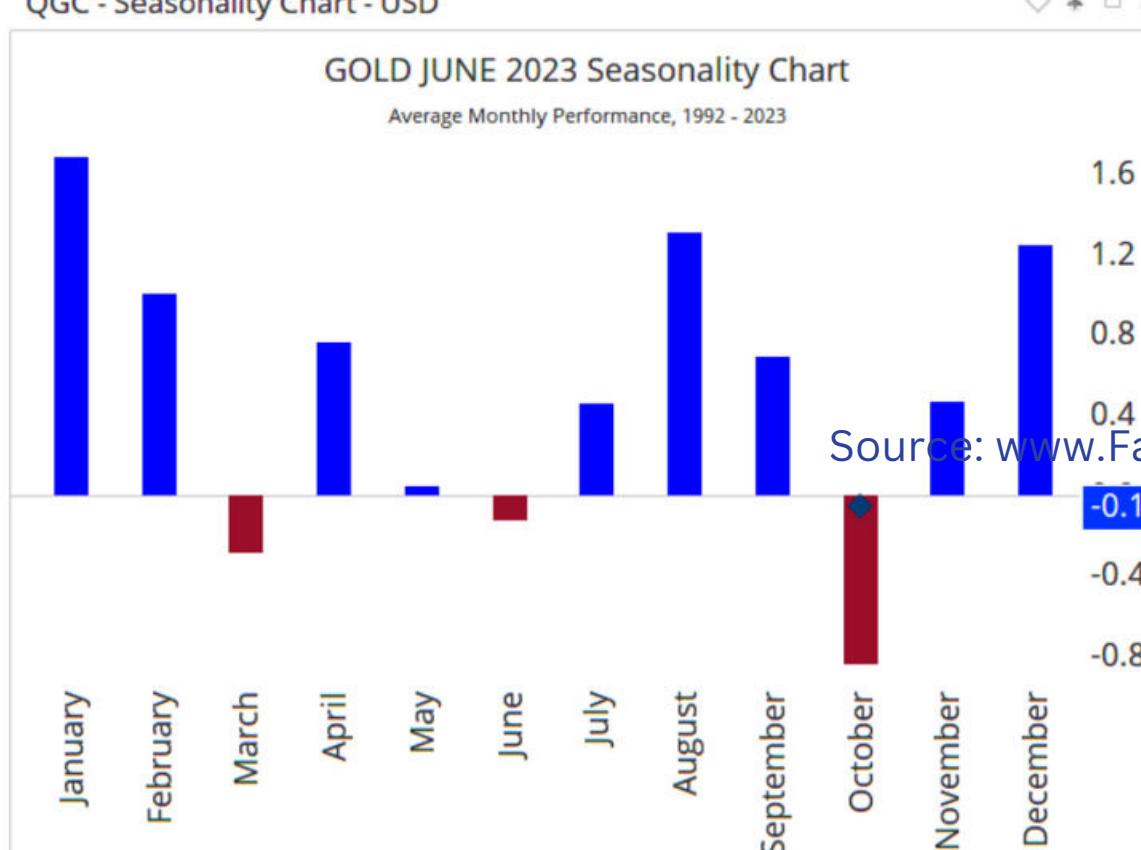
RUT - Seasonality Chart - USD



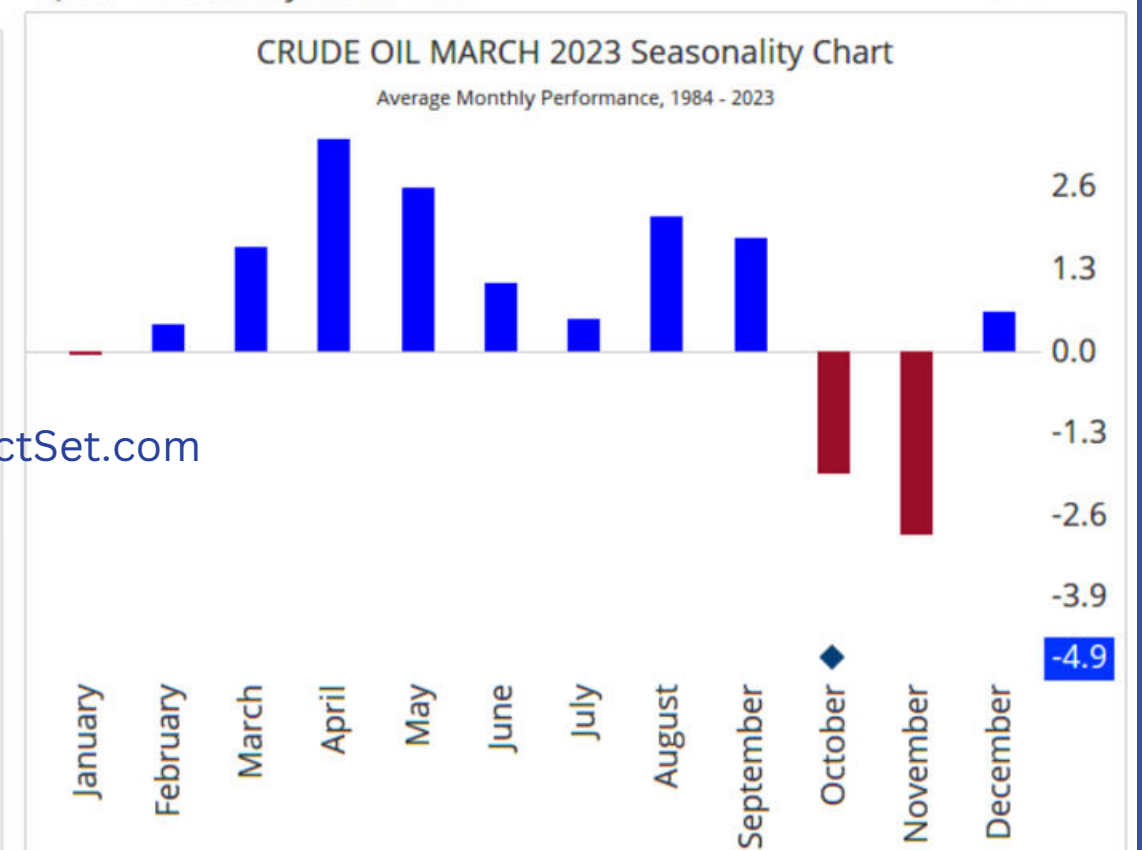
@TY# - Seasonality Chart - USD



QGC - Seasonality Chart - USD



QCL# - Seasonality Chart - USD



Source: www.FactSet.com

SEASONALITY IN Q4

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