

Nick Lampone

From: Nick Lampone
Sent: Tuesday, September 15, 2020 8:00 AM
Subject: Morning CORE
Attachments: Core logo.png

<https://www.themorningcore.com/>

US Futures-World Markets: US stocks continue to front-run the start of the Federal Reserve's two-day meeting. Stronger than expected economic data from China is providing support, but can we trust that data? We get US Industrial Production numbers at 9:15am today. Let's see if the economic recovery is picking up here. Apple hosts a major product event today. The stock is +58% YTD. It makes up 1/8th of the Nasdaq and is 6% of the S&P 500. Basically, it's kind of a big deal- "My apartment smells of rich mahogany"
<https://bit.ly/3hxZJAa>. Tech stocks are expensive, but consumer discretionary companies trade at a higher p/e ratio. Think Nike, Starbucks, Home Dept, McDonalds, etc. Bottom line: investors believe in a 2021 cyclical recovery and are pricing in better-than-expected earnings. That's why multiples are high. Don't forget, the pandemic ends November 3rd (or whenever they finish counting the votes) no matter who wins the presidential election. S&P Futures vs. Fair Value: +24.90, 10-Yr Yield: 0.682%.

CORE Headlines:

- Google faces grilling on ad business before U.S. Senate antitrust panel, with a particular focus expected on whether it misused its dominance in online advertising to drive profits.-Reuters (Do we really need a Senate hearing to get the answer? Of course they did. Now move along.)
- China's industrial output accelerated the most in eight months in August, while retail sales grew for the first time this year, suggesting the economic recovery is gathering pace as demand starts to improve more broadly from the coronavirus crisis.-Reuters
- A federal judge has ruled coronavirus economic restrictions in Pennsylvania are unconstitutional. President Trump is pushing for similar rulings in Michigan and North Carolina.-WaPo (Gov. Wolf overstepped his authority? I'm shocked.)
- Money transmitters like Western Union, PayPal, and cryptocurrency firms will be able to more easily expand across the United States, after 48 state regulators agreed to a single set of supervisory rules that should reduce their compliance costs.-Reuters (Western Union still exists? I had no clue.)
- "Federal regulators are preparing to reprimand Citigroup for failing to improve its risk-management systems—an expansive set of technology and procedures designed to detect problematic transactions, risky trades, and anything else that could harm the bank."-WSJ
- The Trump admin said it was withdrawing a plan to tighten federal oversight of how states pay for their share of Medicaid after some states and medical groups said the new rule would have deprived them of billions of dollars in funding in the midst of the pandemic.-WSJ
- A high-level meeting between officials from the US and Qatar this week offers a chance for the Middle Eastern country to heal a rift with its neighbors and could solidify one of Washington's relationships in the volatile region.-WSJ
- SoftBank has signed more than \$90B in deals to sell some of its most valuable holdings, leaving many investors wondering what it plans to do with all that money after share buybacks and paying down debt.-WSJ

- New York's leading business groups are asking Trump to back funding for transit agencies and city and state budgets as part of the stalled talks over the next coronavirus aid package, something NYC mayor Bill de Blasio and governor Andrew Cuomo have so far failed to achieve. (Bailout?)
- The Trump admin announced new restrictions on imports of apparel, hair products, and technology goods from certain Chinese companies, saying those entities had used forced labor in the Xinjiang region to make their products.-NYT
- Joe Biden's presidential campaign is establishing a major new legal operation, bringing in two former solicitors general and hundreds of lawyers in what the campaign billed as the largest election protection program in presidential campaign history.-NYT
- Story says it's not clear how ORCL handling TikTok's US data—without spinning the app's American division into a separate company free from ByteDance's oversight—would assuage the security or censorship worries that prompted a deal in the first place.-Recode
- JP Morgan (JPM) CEO Jamie Dimon believes economic recovery could be derailed by lack of additional stimulus, the election, and a second wave of coronavirus.- (Sounds like Dimon is talking his book. His record on market prognostications isn't stellar. He called Bitcoin a "fraud" and thought we'd have interest rates at 5%. Even the best are wrong sometimes.)

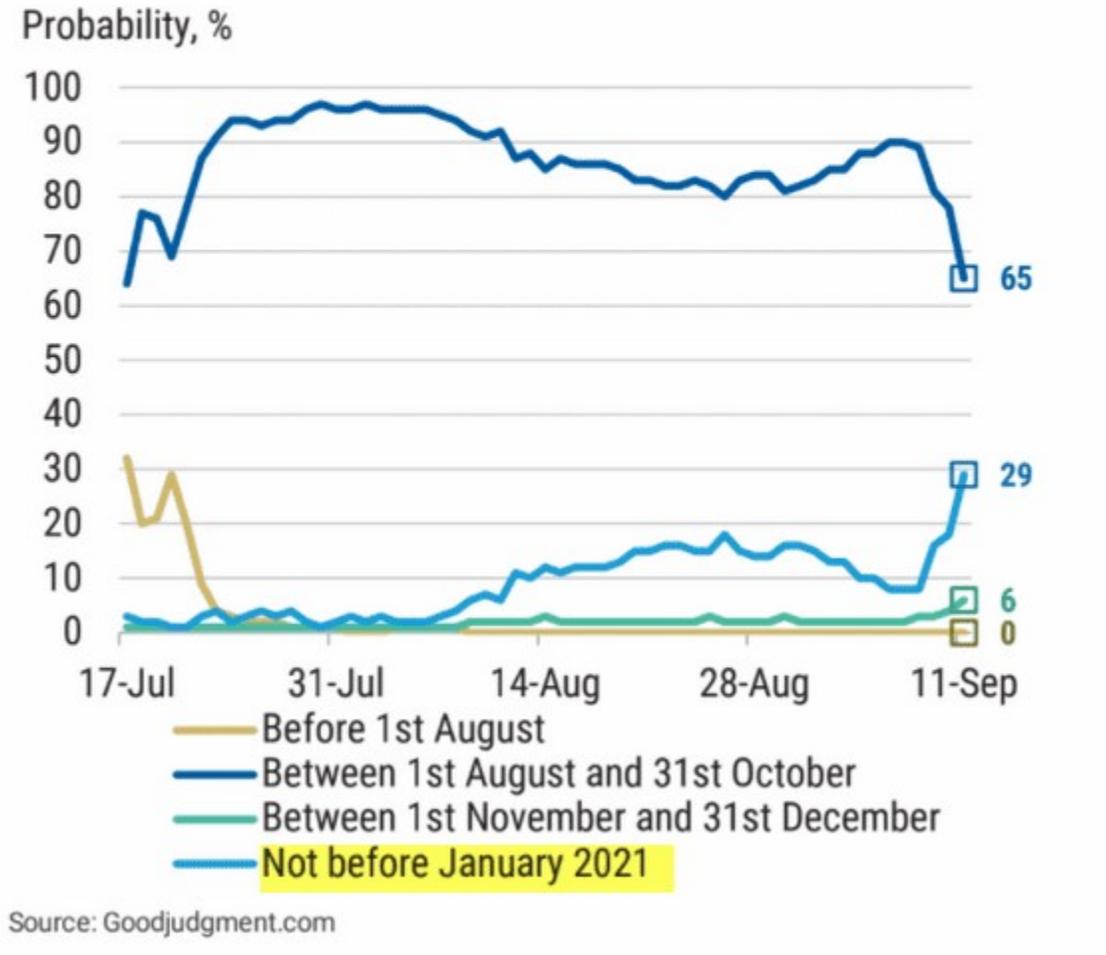
Interesting Reads/Charts:

- CNBC: States try to plug gaps in unemployment benefits <https://cnb.cx/3khtVBk>
- Minnesota: Great story on Penn St kid that made Vikings roster on special teams <https://cbsloc.al/3ixqGFt> my buddy works with his father (thx Hams)
- The Ladders: 4 unique evening rituals of successful people <https://bit.ly/3huFXWf>
- Psychology Today: Stop lugging around your emotional baggage <https://bit.ly/3hvXahQ>

Charts from The Daily Shot:

Analysts are starting to have doubts about a CARES 2 stimulus package this year. Here are the aggregate probabilities from [superforecasters](#).

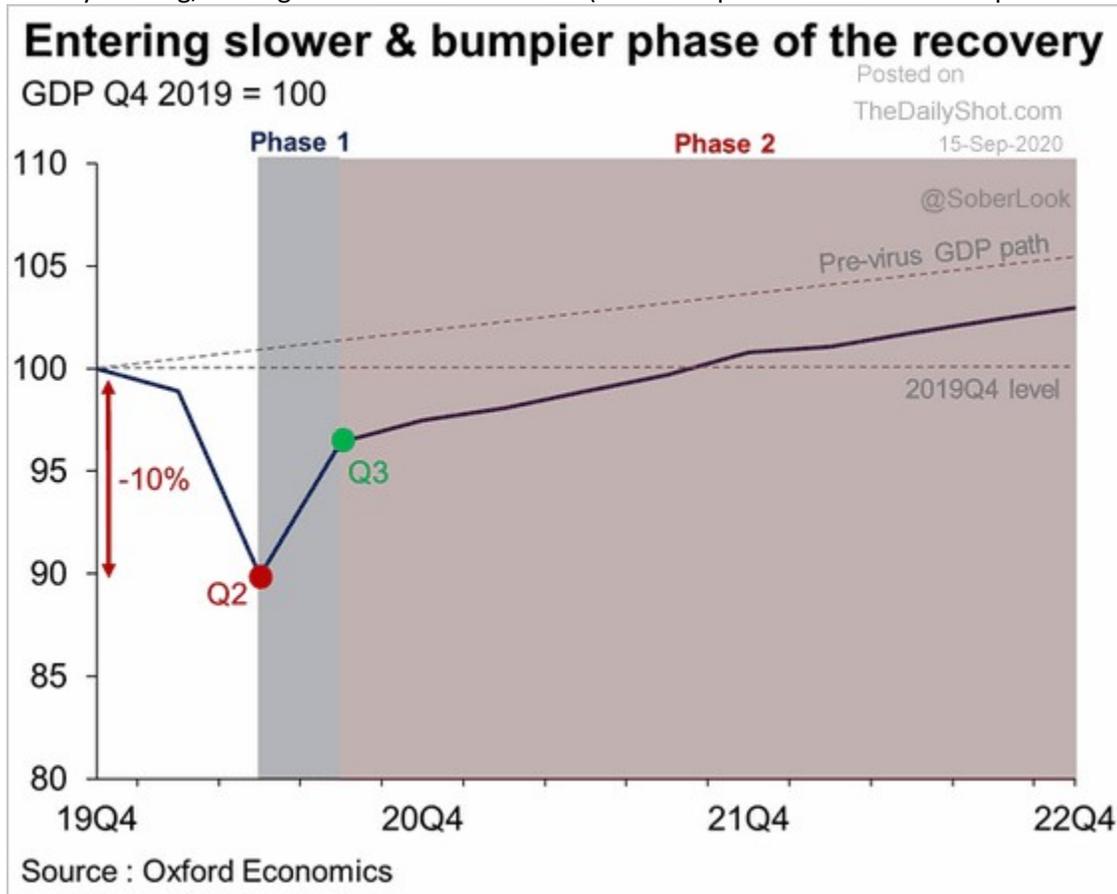
Exhibit 1: When will a piece of federal legislation providing for \$750 billion or more of new fiscal stimulus become law in the US?



Source: Morgan Stanley

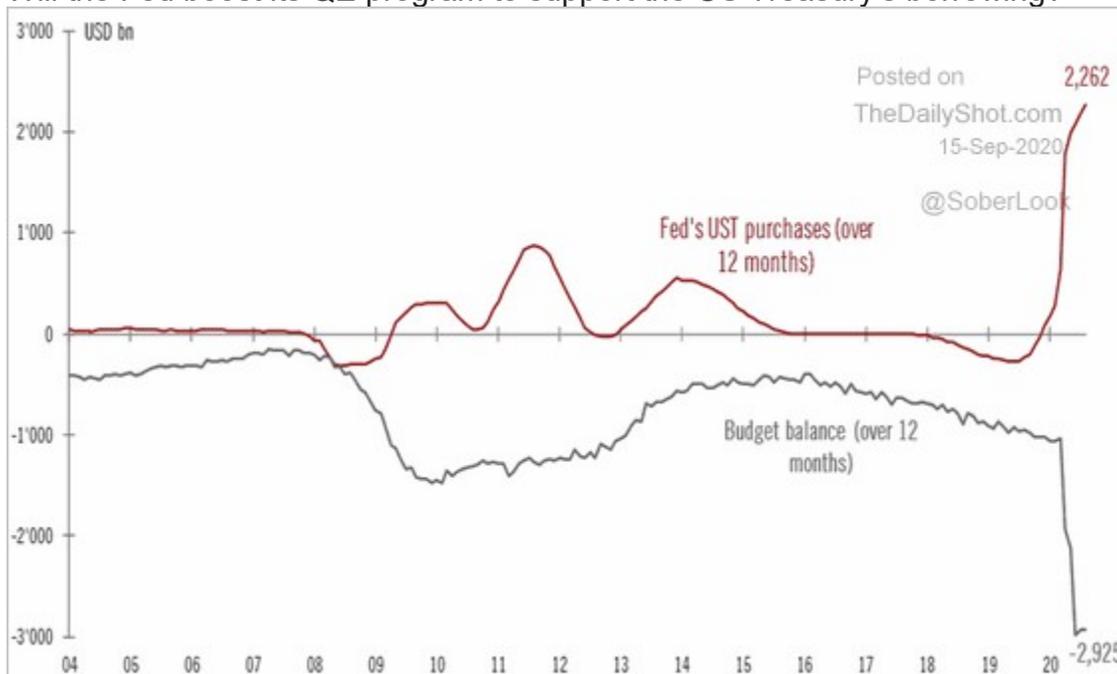
The concern is that cutting off the stimulus checks could reverse the recent economic gains. At this point, the recovery is

already slowing, making it vulnerable to a shock. (I would expect the Fed to backstop a blundering Congress.)



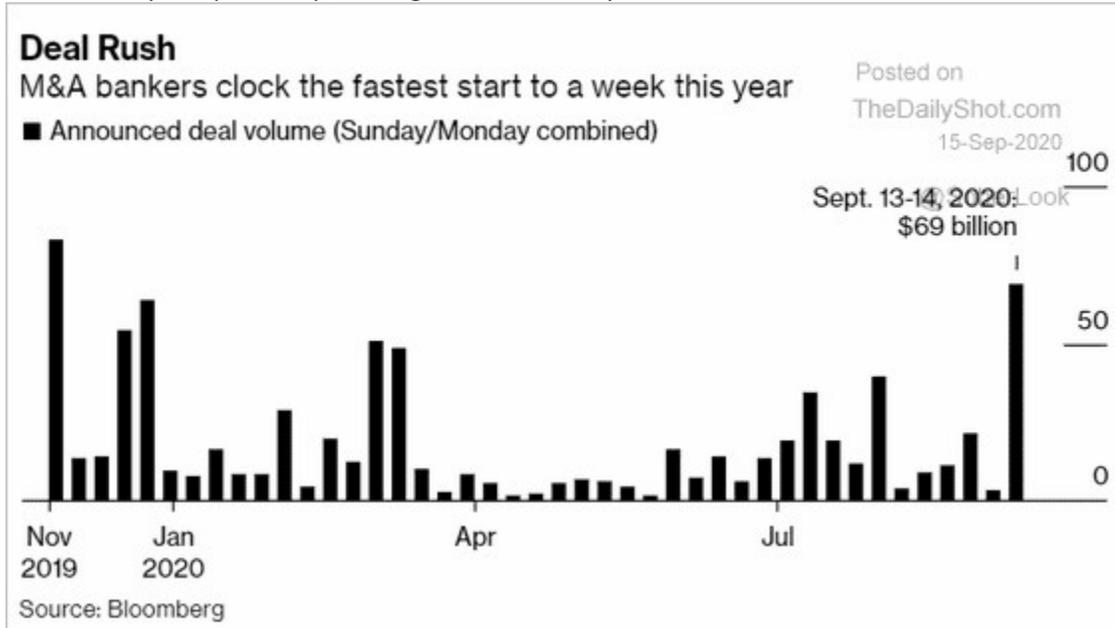
Source: [Oxford Economics](#)

Will the Fed boost its QE program to support the US Treasury's borrowing?



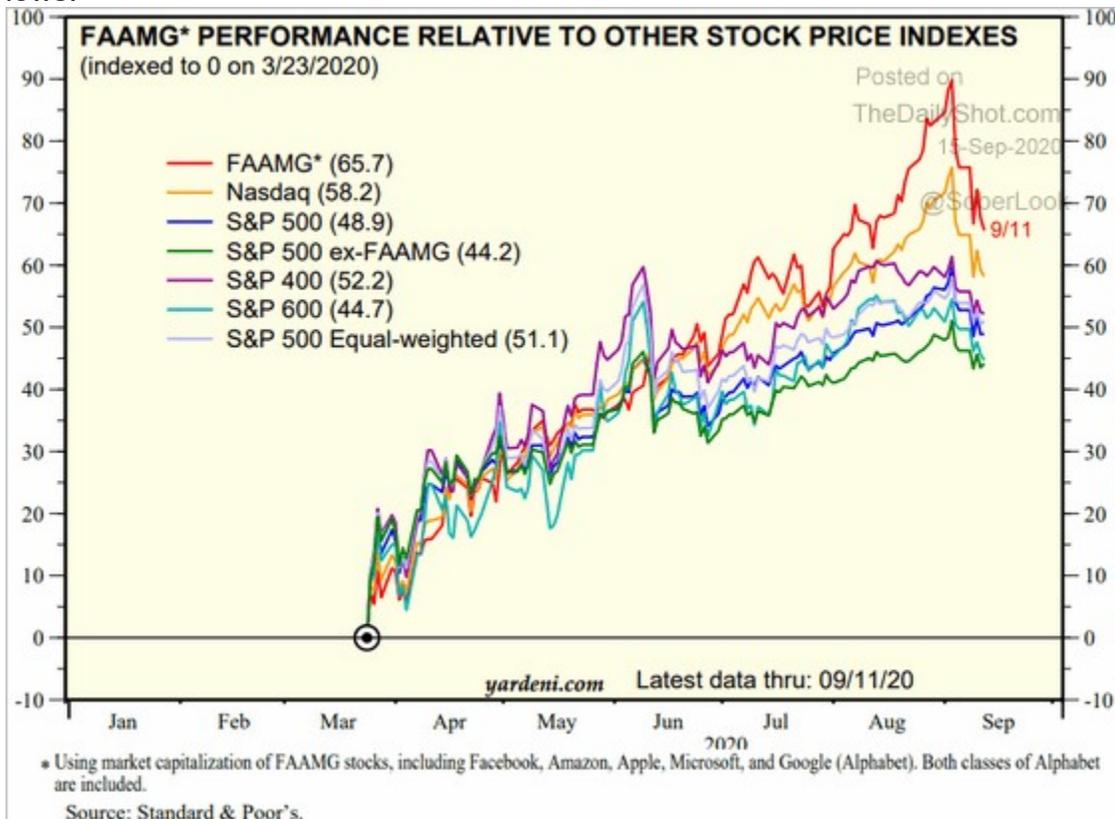
Source: [@TCosterg](#)

M&A activity has picked up, fueling the market rally.



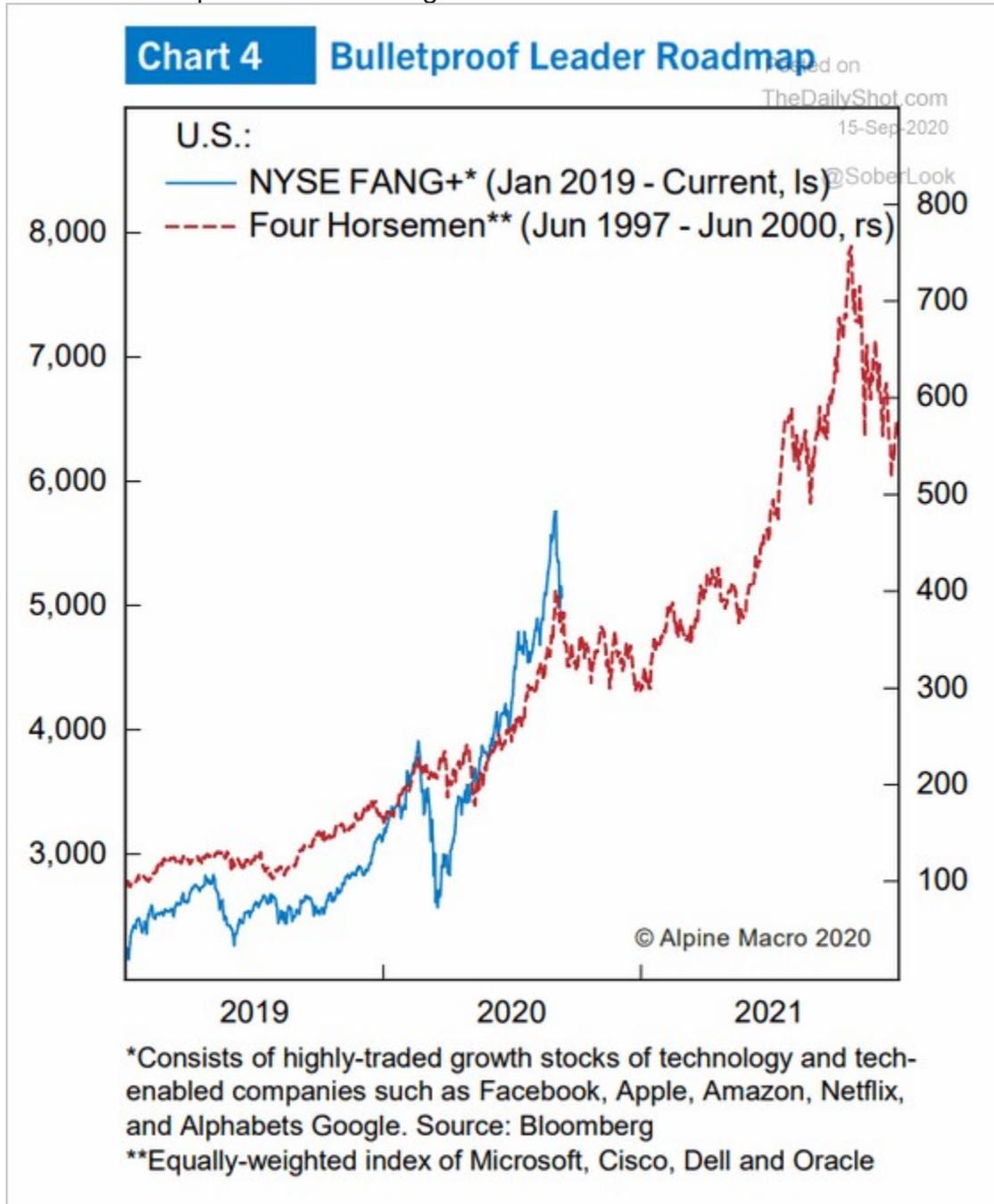
Source: @business [Read full article](#)

Despite the recent selloff, the mega-cap shares remain well ahead of other indices since the March lows.



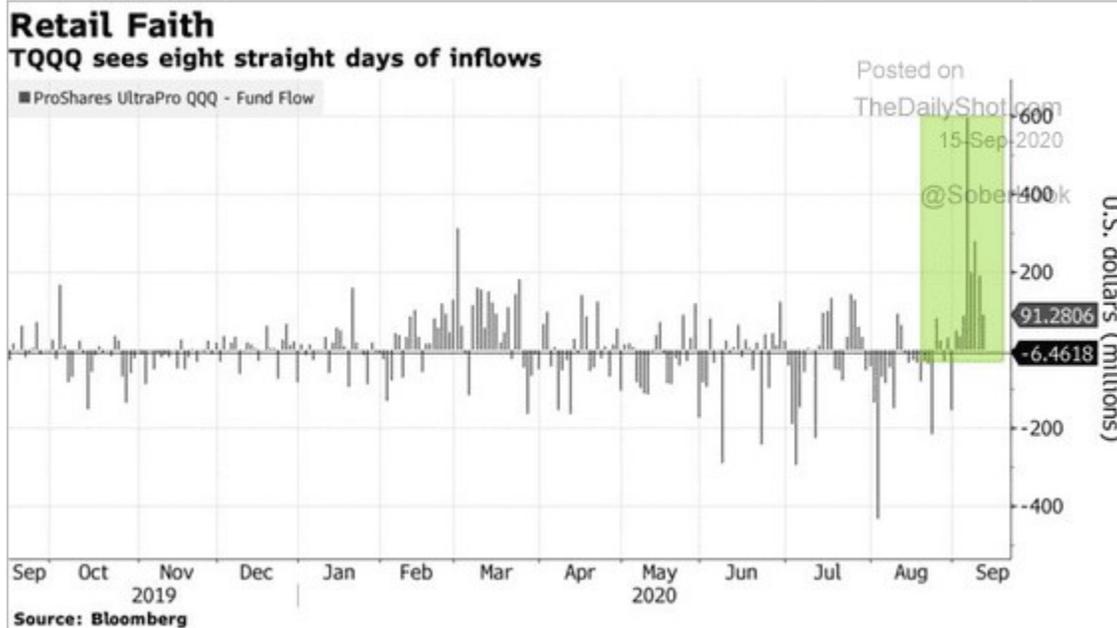
Source: [Yardeni Research](#)

Is there more upside for the tech giants?



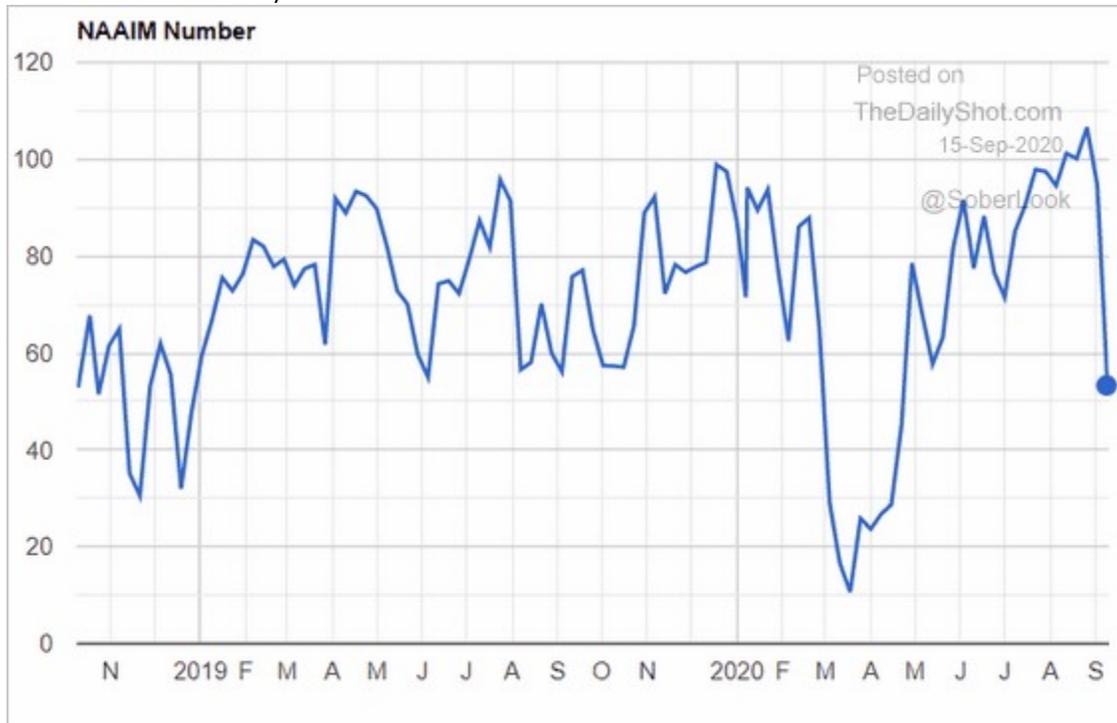
Source: [Alpine Macro](#)

Traders are betting on it. Here are the flows into TQQQ – the Nasdaq 100 index leveraged three times.



Source: @markets [Read full article](#)

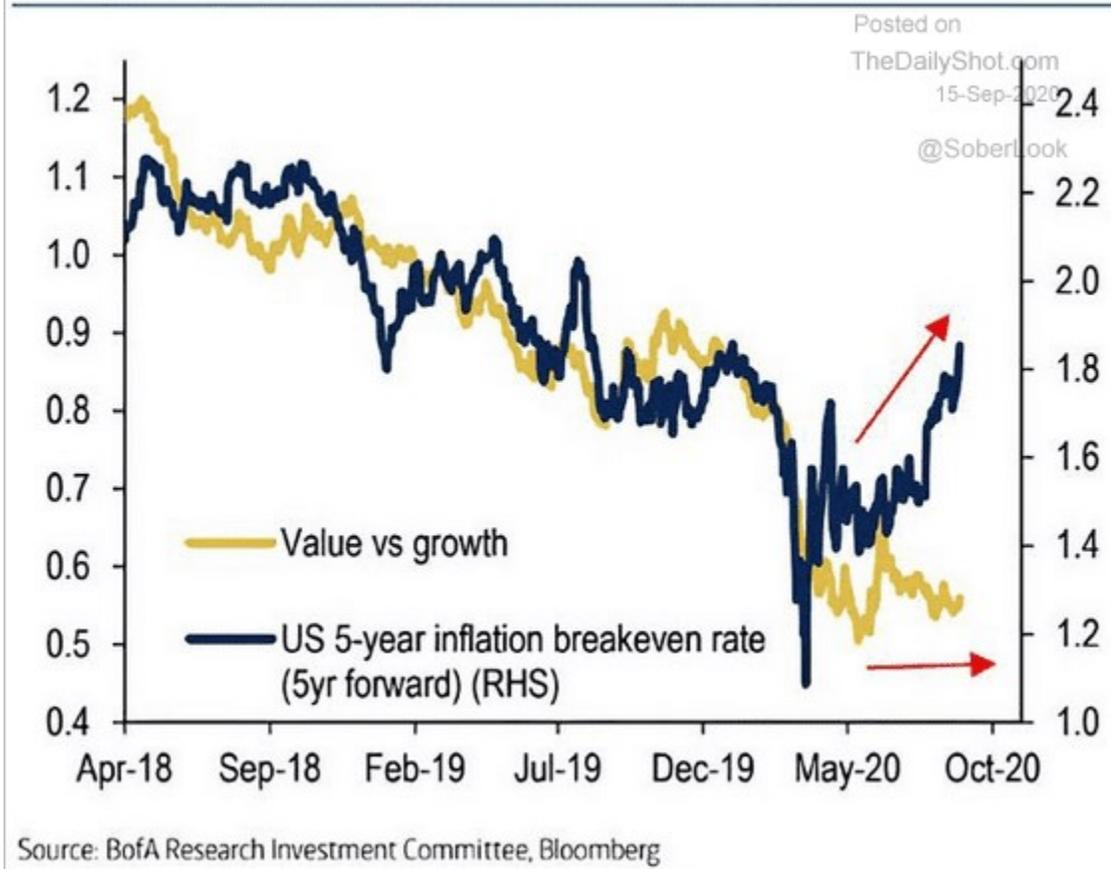
Investment managers are less bullish. (Contra-indicator? They used to be the 'smart money', but I'm not so sure about that in the short-term.)



Source: [NAAIM](#)

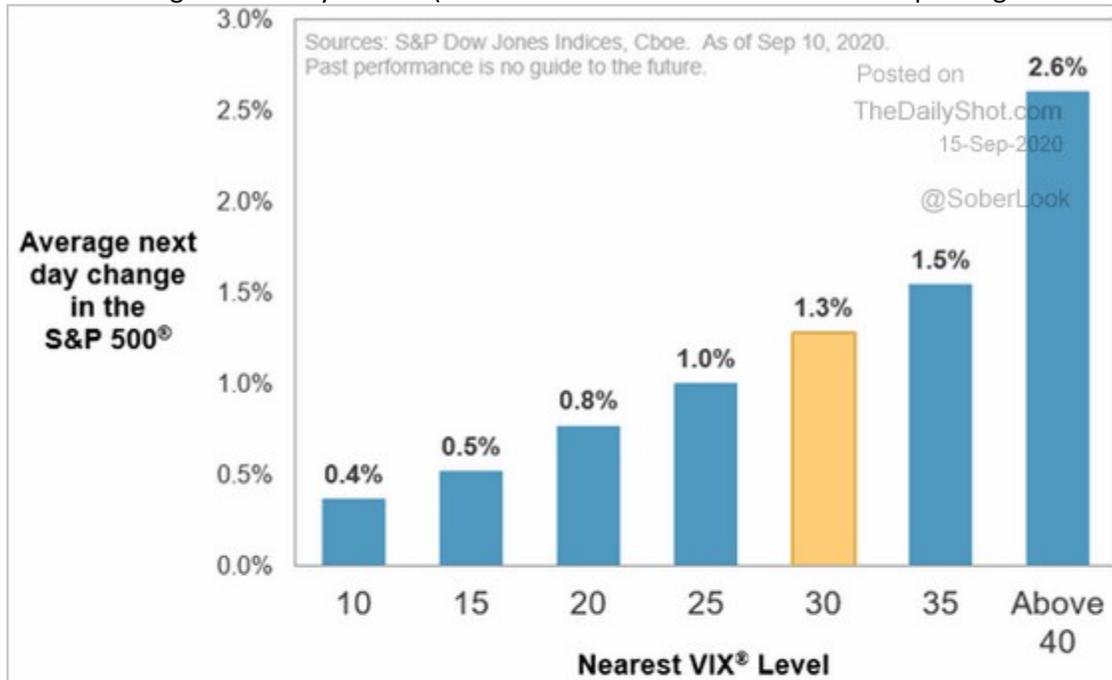
Higher inflation expectations haven't boosted value shares.

Chart 3: Value hasn't rallied with inflation...broken



Source: [BofA Securities](#)

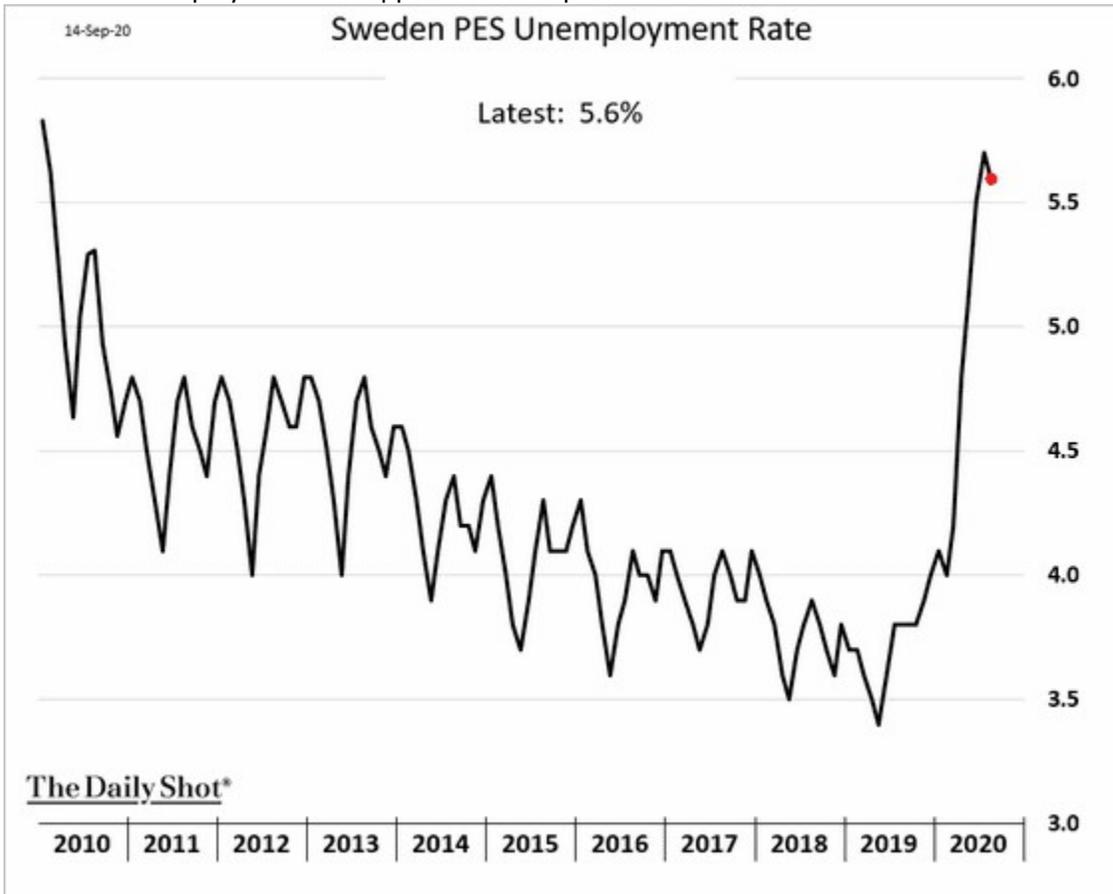
Will we see higher volatility ahead? (Main concern is a contested election or prolonged vote tally.)



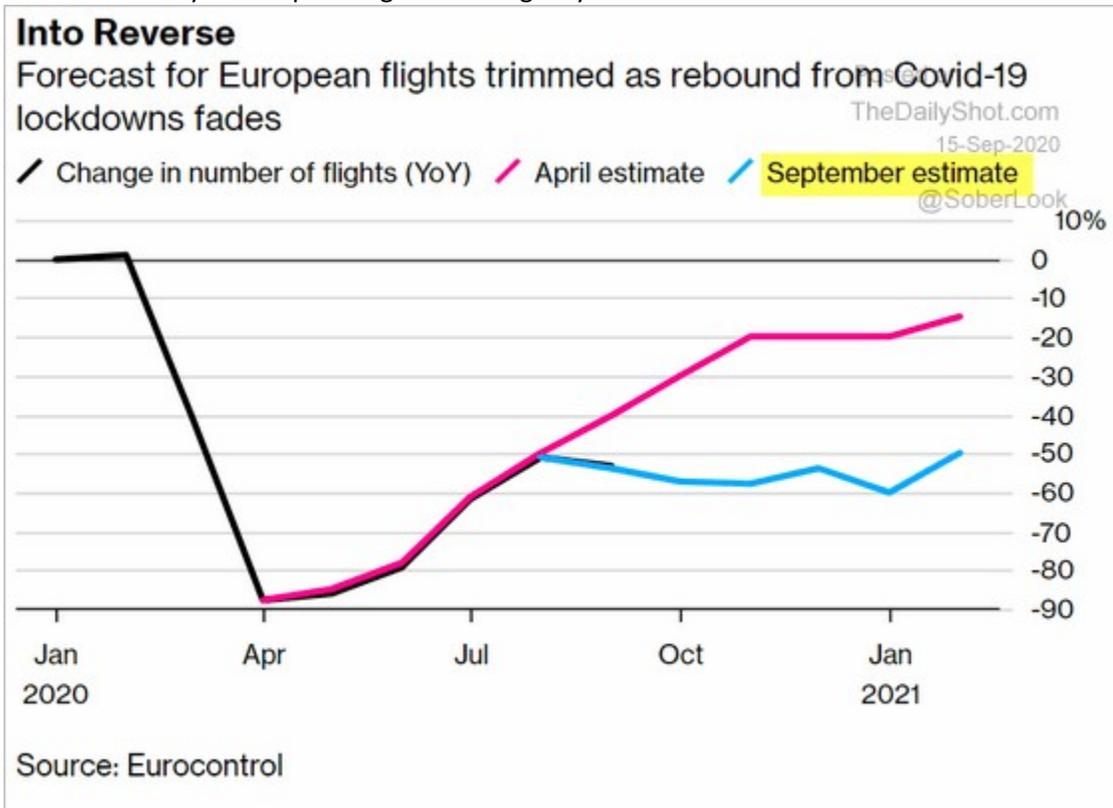
If VIX is any guide, we should expect this roller coaster to continue: Wall Street's fear gauge is hovering around 30, a level that - on average since VIX began publication in 1990 - has historically been followed by an average daily movement of 1.3% in the S&P 500. The VIX Futures curve also points to continued volatility leading into the U.S. presidential election in November.

Source: [S&P Global Market Intelligence](#)

Sweden's unemployment rate appears to have peaked.



The full recovery in European flights is a long way off.



Source: @business [Read full article](#)

Bitcoin found support at \$10k.

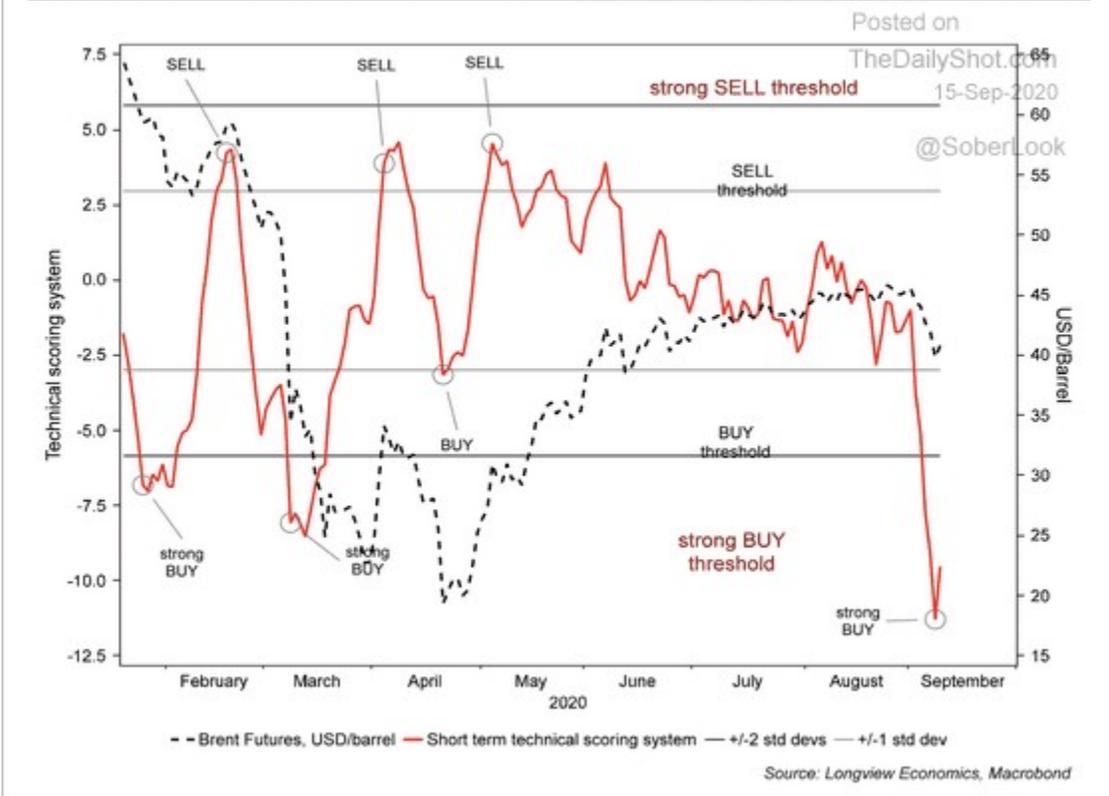


Brent crude is trading below \$40/bbl.



Technicals have been indicating that Brent is oversold.

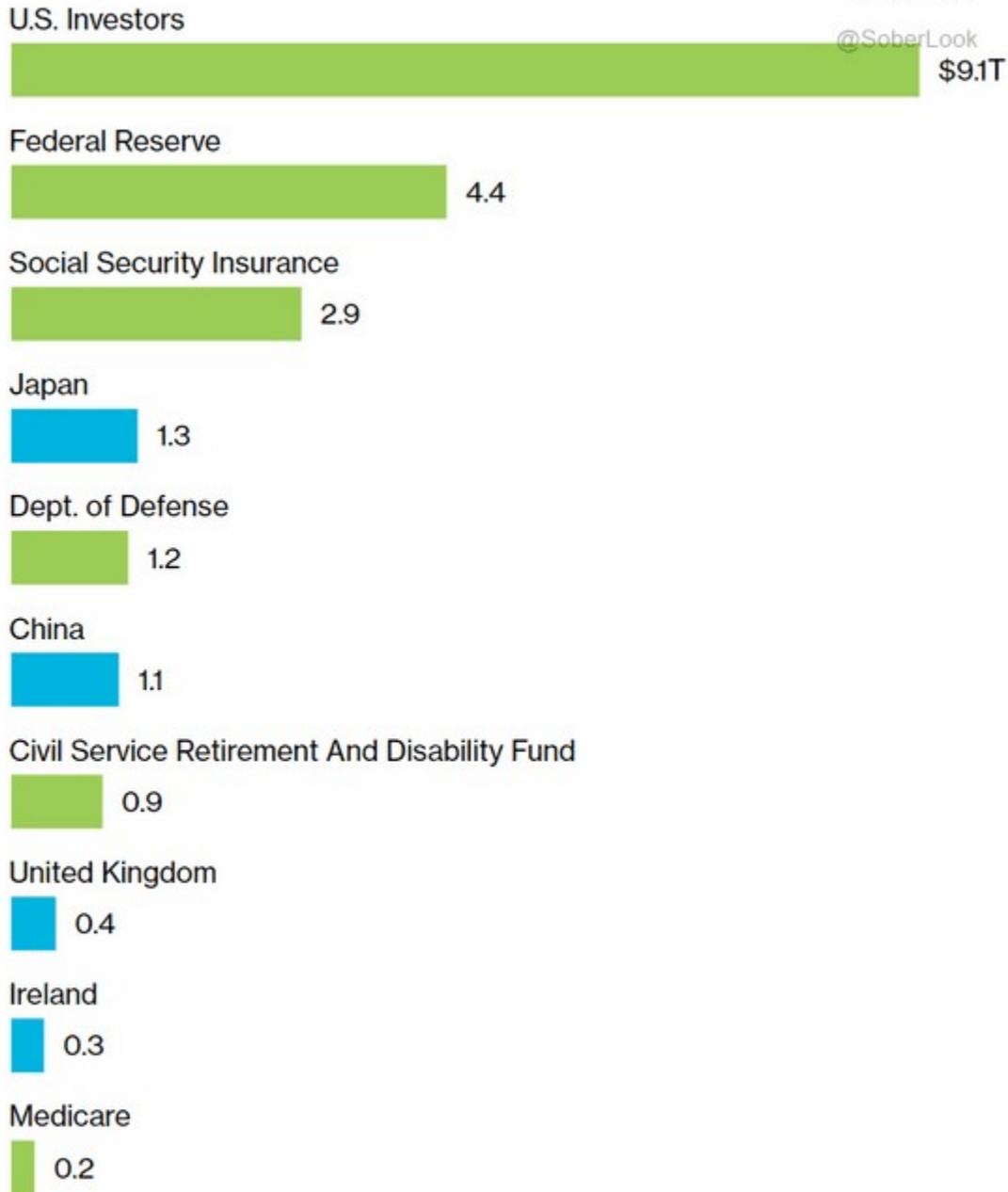
Fig 3: Brent short term technical scoring system vs. Brent price (USD/barrel)



Source: [Longview Economics](https://www.longvieweconomics.com/)

Who Owns the U.S. Debt?

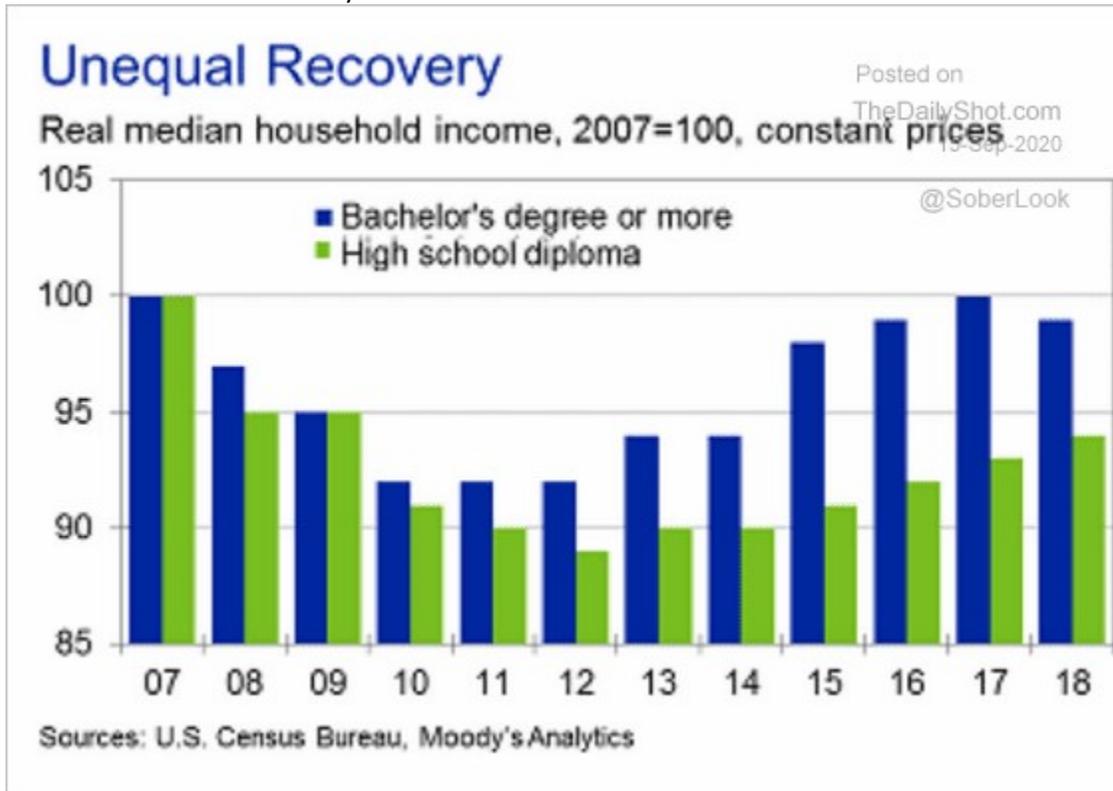
Posted on
TheDailyShot.com
15-Sep-2020



Source: U.S. Treasury, Bloomberg calculations

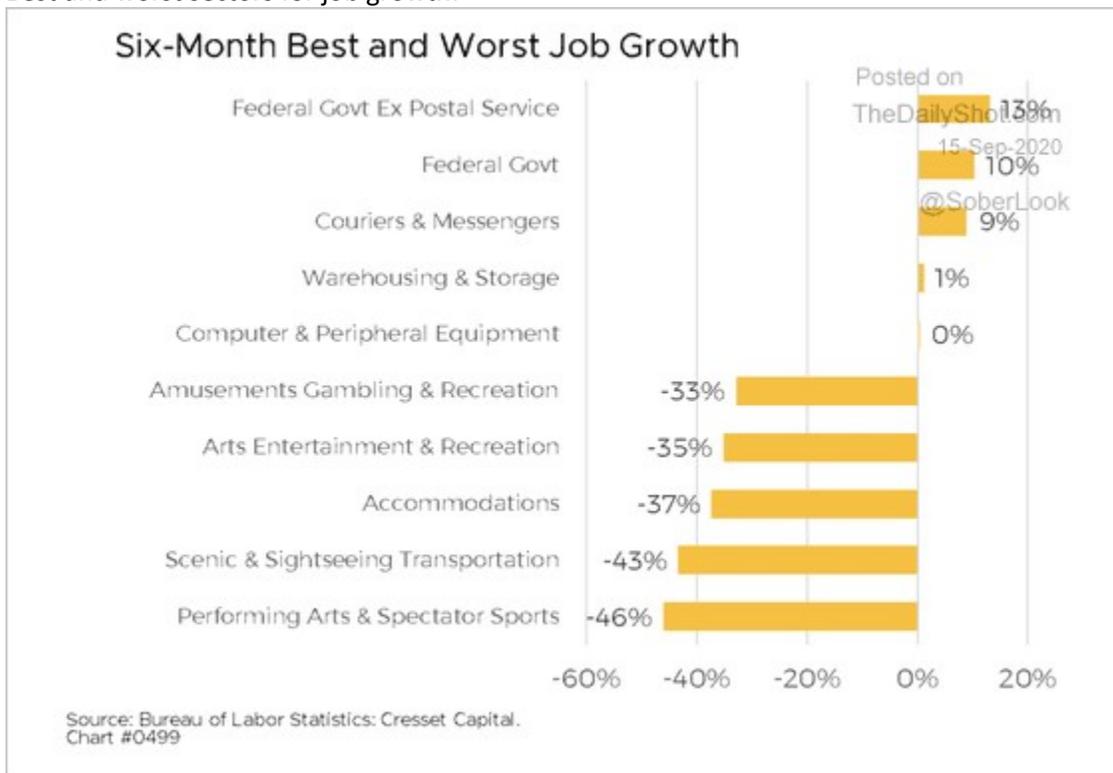
Source: @markets [Read full article](#)

Median household income by education:



Source: [Moody's Analytics](#)

Best and worst sectors for job growth:



Source: [Jack Ablin, Cresset Wealth Advisors](#)

When reviewing the attached material, it is important to remember that past performance is not indicative of future results.

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