

## Nick Lampone

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**From:** Nick Lampone  
**Sent:** Wednesday, October 21, 2020 8:00 AM  
**Subject:** Morning CORE  
**Attachments:** Core logo.png

**US Futures-World Markets:** So much for that self-imposed Tuesday deadline from Sen. Pelosi. Negotiations continue with Secretary Mnuchin as they try to secure a package before the weekend. The bond market is more positive on a deal than others-see the 10-yr yield above 80bps. We shall see if bond investors are correct. We're in a range (3400-3500 in the S&P) where algos scan the headlines and trade off the news. If Pelosi says we're near a deal, the market rips higher. If Senator Shelby says he doesn't see one possible, the market sells off. This seems like our new reality until November 3. I'd much rather have our trading range at this level than lower. Remember, the S&P is +6% on the year. Snap is +25% pre-market after its quarterly update. Watch the sell-side analyst upgrades this morning. Always good comedy. I love when overpaid analysts read us yesterday's newspaper. Netflix is -5% pre-market after disappointing subscriber growth. Stock was +62% YTD coming into earnings. S&P Futures vs. Fair Value: 10-Yr Yield: 0.813%.

From WSJ on cannabis stocks: Since mid-August, the 10 largest North American cannabis stocks by market value are up 20%, according to Viridian Capital Advisors. This is relatively muted compared with the 83% rally seen in the three months before the 2016 election.

### CORE Headlines:

- The European Union told Britain to make up its mind on Brexit, putting the onus back on London to unlock trade talks as the bloc's chief negotiator said an agreement was still within reach with 10 weeks to go.-Reuters (I'd love to play a high stakes poker game with the morons negotiating this deal.)
- Amazon.com on Tuesday told employees whose work can be done from home that they can do so until June, extending the timeline on a return to office due to the COVID-19 pandemic.-Reuters
- United Airlines is set to test a digital health pass under a global pilot program seeking to establish a common international standard for COVID-19 test results and eventually vaccine records that could help reopen borders.-Reuters
- Two new studies show large drop in mortality among hospitalized coronavirus patients. Patients in the hospital have a 7.6% chance of dying versus a 25.6% chance in the early parts of the pandemic.-NPR (seems logical with more knowledge about the virus. Now I'd like to see the underlying conditions for the 7.6% that die)
- NY governments and authorities are projecting \$59B of revenue shortfalls through 2022 because of the continuing coronavirus crisis, one of the deepest funding holes of any state, one that could grow without a congressional relief deal.-WSJ (I'm sure Cuomo has it covered.)
- Workers gave up looking for jobs across the US in September, with the size of the labor force shrinking in more than half of the 30 states in which unemployment rates fell last month, according to the Labor Department.-WSJ
- The National Security Agency warned that Chinese government hackers were taking aim at US computer networks involved in national defense, characterizing the threat posed by Beijing as a critical priority in need of urgent attention."-WSJ
- Scientists in Britain plan to infect healthy volunteers with tightly controlled doses of the coronavirus in what is likely the first such effort to more rapidly assess the effectiveness of several vaccines to find the most viable one.-WSJ

- Building on the attitude shift spurred by #MeToo, employees receiving racial-discrimination settlements are increasingly demanding exit agreements permit them to speak out about their situations, and companies are reconsidering confidentiality restrictions.-WSJ
- Lockheed Martin sees its space business leading future revenue growth but acknowledged **SpaceX** has grown as a threat—management now sees the space division as the company’s fastest-growing business area, with 2021 growth seen in the mid-single-digit range.-IBD
- Holiday sales are starting earlier than in past years and lasting longer to spread out demand in a season retailers say is unlike any other they have experienced, one in which there will be restrictions on how many people can be in a store at any given time.-USA
- Cyprus and Malta will face EU penalties if they do not abandon lucrative programs that sell “golden passports” to foreigners, a long-anticipated crackdown on a practice that furnished non-nationals, including criminals, with travel documents.-NYT
- New SEC reporting requirements that allow money managers with less than \$3.5B in assets to avoid quarterly position disclosures has strong opposition from companies and investors who fear hedge funds will use the law to obscure their holdings.-FT
- Obesity could pose a threat to the success of a Covid-19 vaccine—researchers fear that vaccines may not be as effective in people who are overweight, a population already highly vulnerable to the disease.-Nature
- A little-known Democratic super PAC backed by some of Silicon Valley’s biggest donors is quietly unleashing a torrent of television spending in the final weeks of the presidential campaign in a last-minute attempt to oust Trump.-Recode

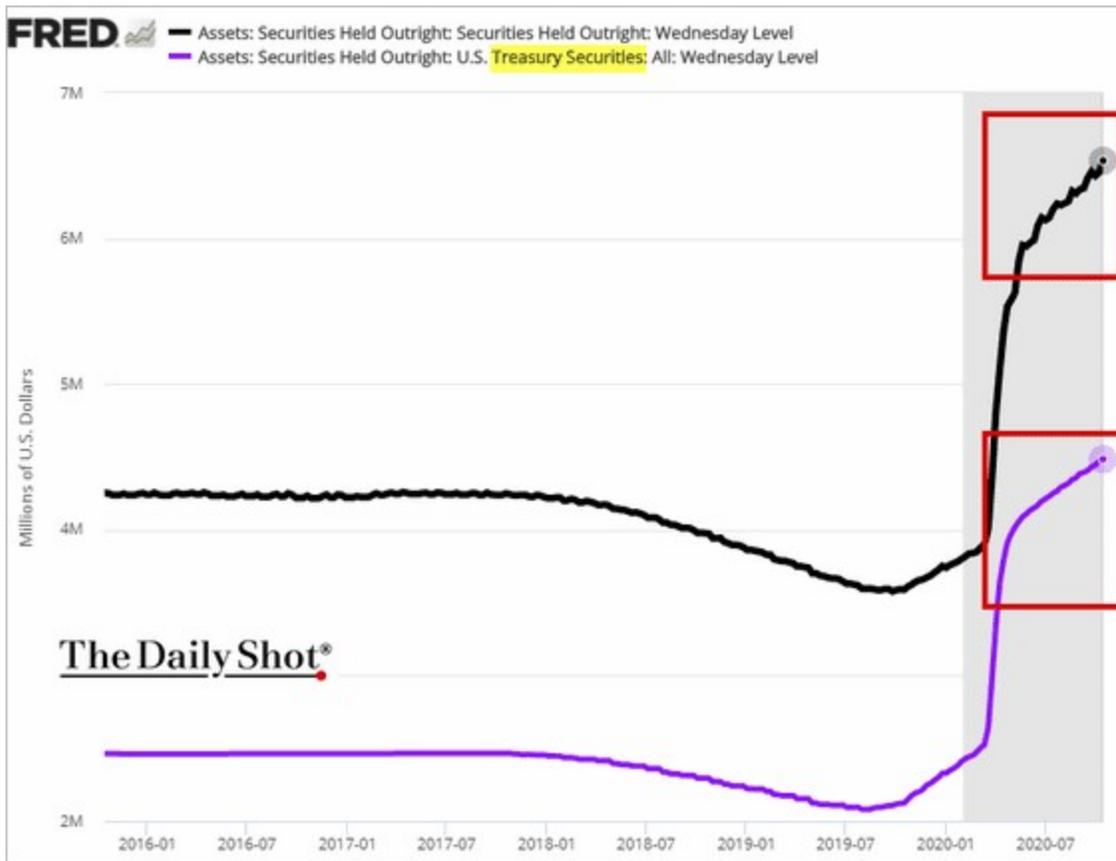
#### Interesting Reads/Charts:

- Yahoo Finance: Fed Chair Powell talks about private sector digital currencies <https://yhoo.it/2Hf1TII>  
This is a major development to keep an eye on in years ahead. Expect more info on this in the future.
- Hollywood Reporter: Disneyland execs rip Gov. Newsome over ‘unreasonable’ stance for reopening <https://bit.ly/37vg7Qu>
- Wired: What is Clubhouse and why does Silicon Valley care? <https://bit.ly/34cGEjB> (Another popular app I never heard of)

#### Charts from The Daily Shot:

I don’t usually start with charts on the bond market, but makes sense today with these massive moves.

Markets are preparing for another massive US stimulus bill and the Treasury debt issuance spike that will follow. The Fed has been steadily buying Treasuries and MBS bonds, but that’s not enough to absorb all the new supply.

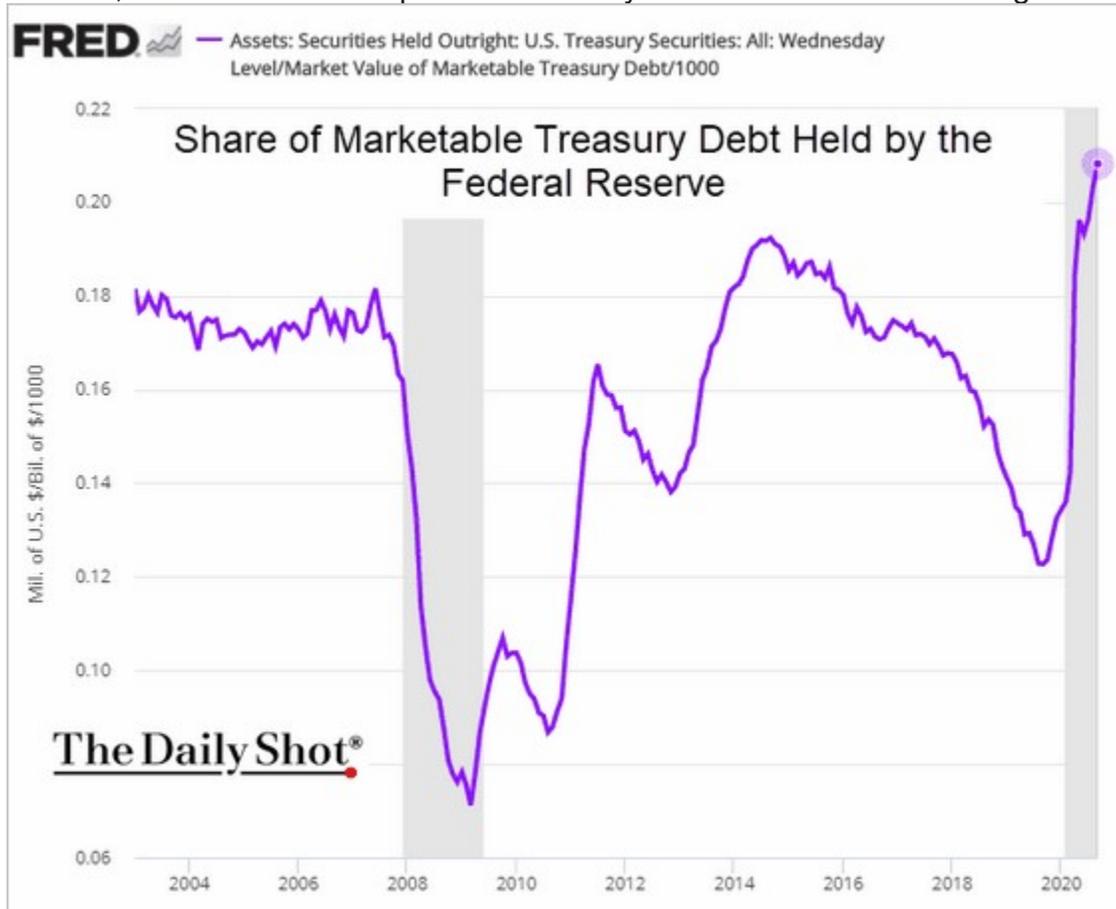


Is there sufficient appetite at the FOMC to repeat the April buying blitz?

**Goldman Sachs says Democratic sweep would unleash ‘substantially’ more stimulus**

Source: CNBC [Read full article](#)

After all, the Fed's ownership of the Treasury market is now at record highs.

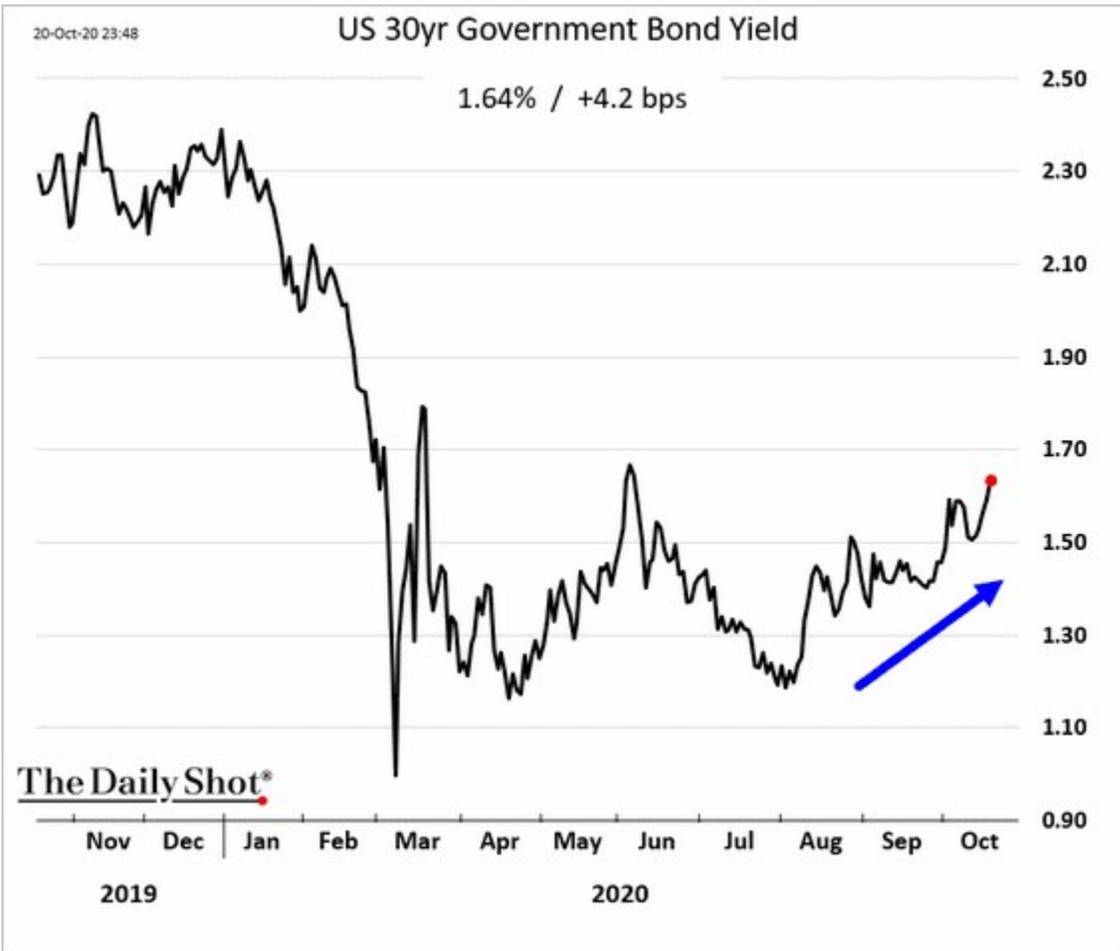


h/t @LizAnnSonders

- Longer-dated Treasury yields climbed further this morning amid concerns about supply.

#### **Treasury Selloff Extends as Auction Pressures Appear in Long-End**

Source: [@TheTerminal](#), [Bloomberg Finance L.P.](#)



- Investors have been betting on a selloff in bonds.



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

longer-dated inflation expectations have been rising, putting additional pressure on bonds.



The Nasdaq 100 projected [EPS](#) has peaked relative to the S&P 500. Will performance follow?

20-Oct-20

### Nasdaq 100 12m Fwd EPS / S&P 500 12m Fwd EPS



The Daily Shot®

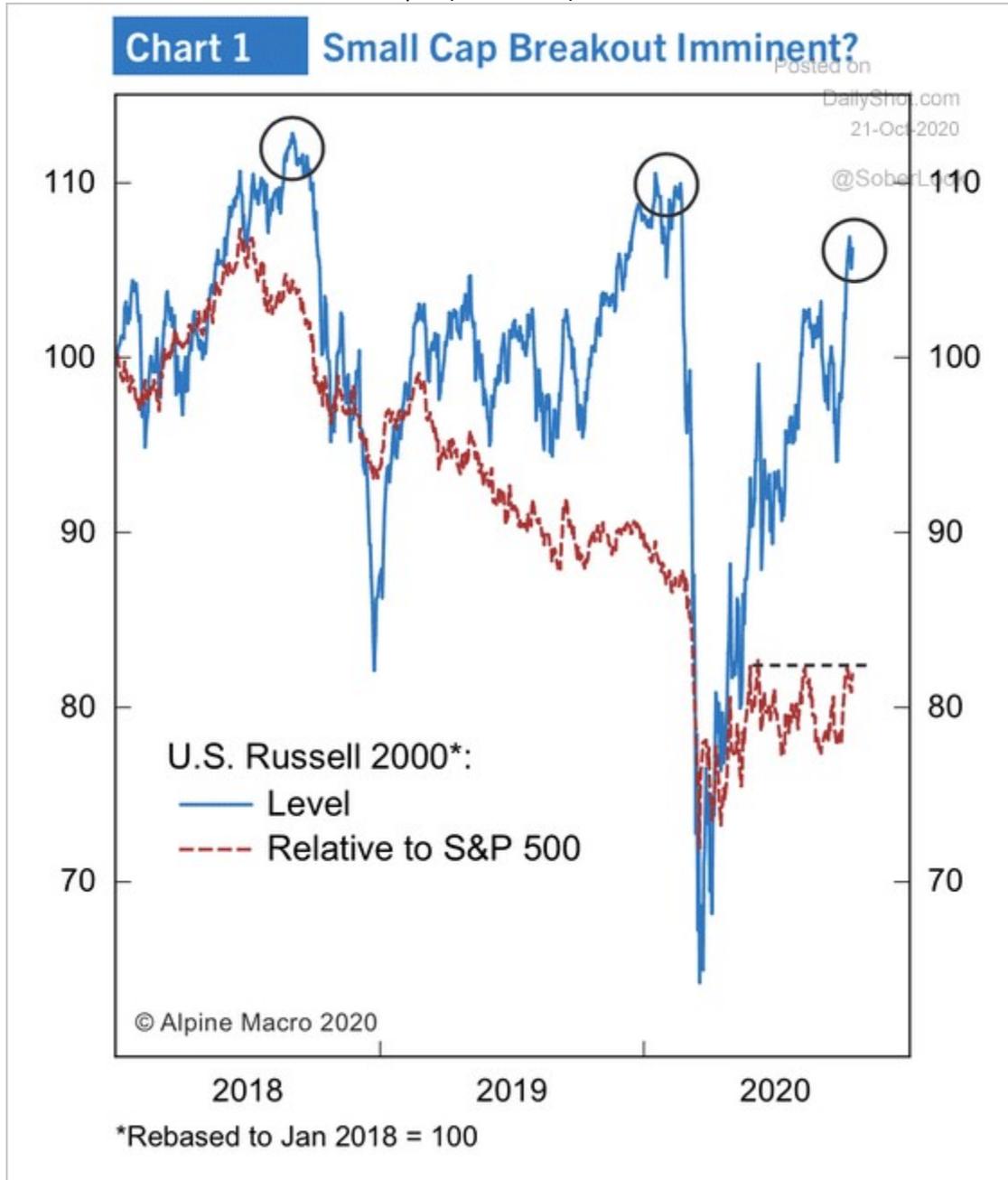
Source: Bloomberg

### Nasdaq 100 Index - S&P 500 Index: Relative Performance



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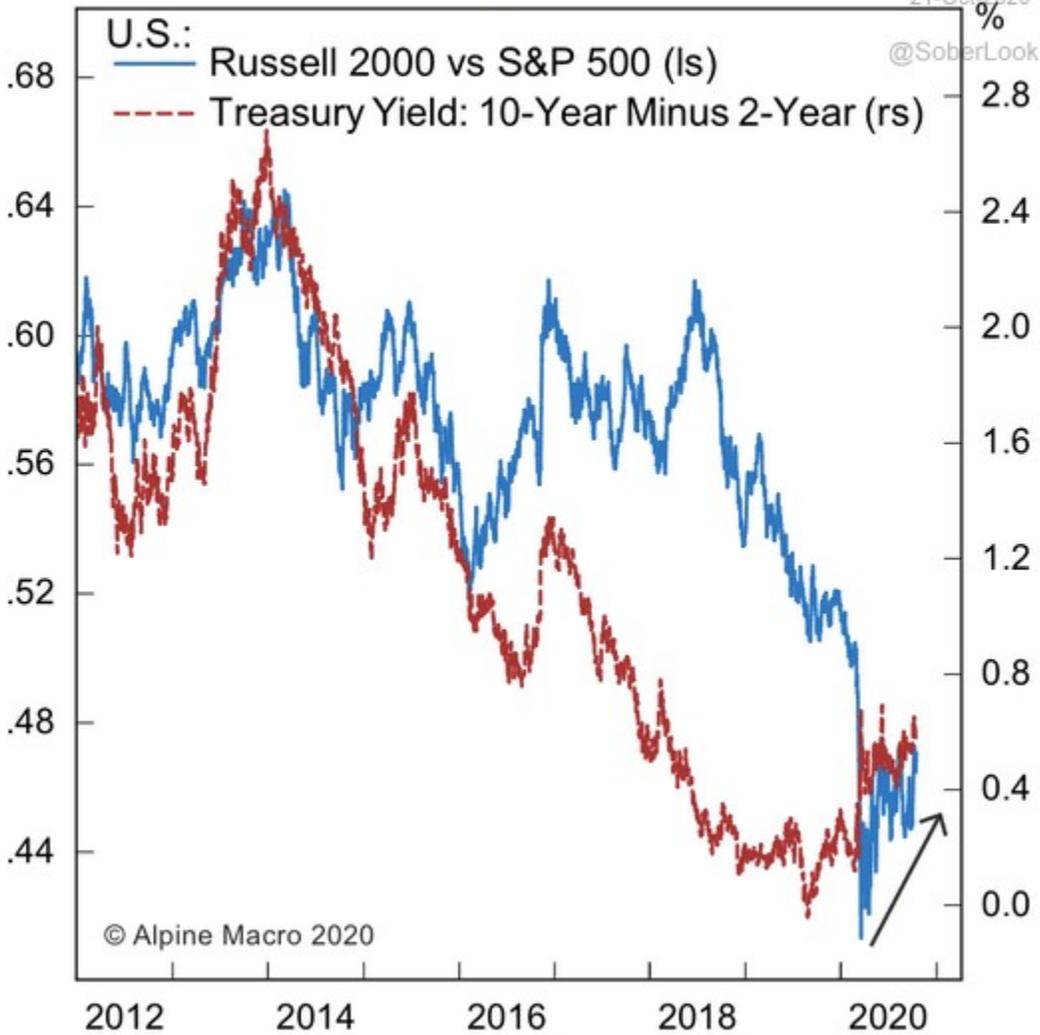
Will we see a breakout in US small-caps? (two charts)



Source: [Alpine Macro](#)

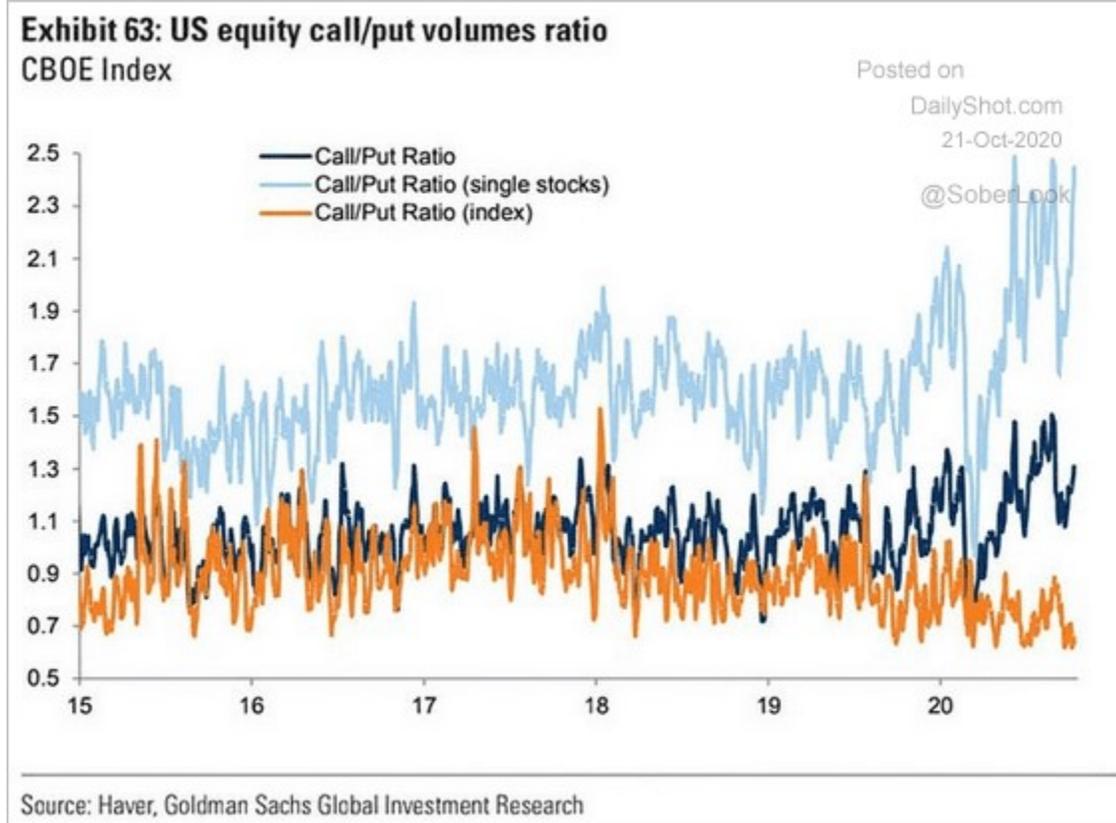
### Chart 3 Steeper Yield Curve Would Help Small Caps

Posted on  
DailyShot.com  
21-Oct-2020  
@SoberLook



Source: [Alpine Macro](#)

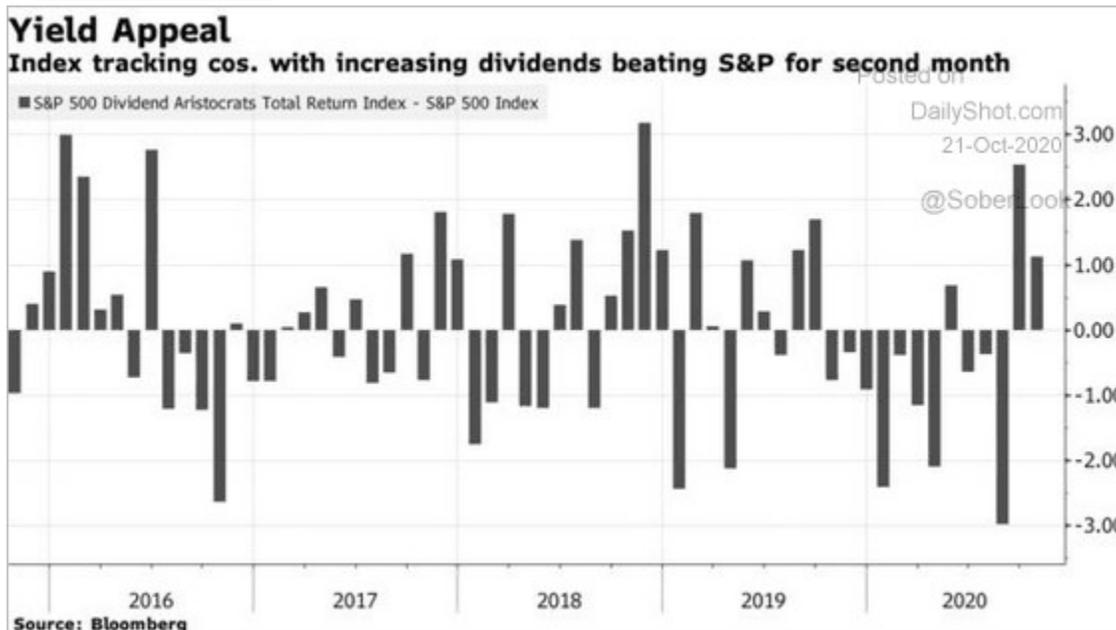
This year's call option trading frenzy has been mostly focused on single-stock options. Index options have been used more for downside protection.



Source: [@ISABELNET\\_SA](#), [@GoldmanSachs](#)

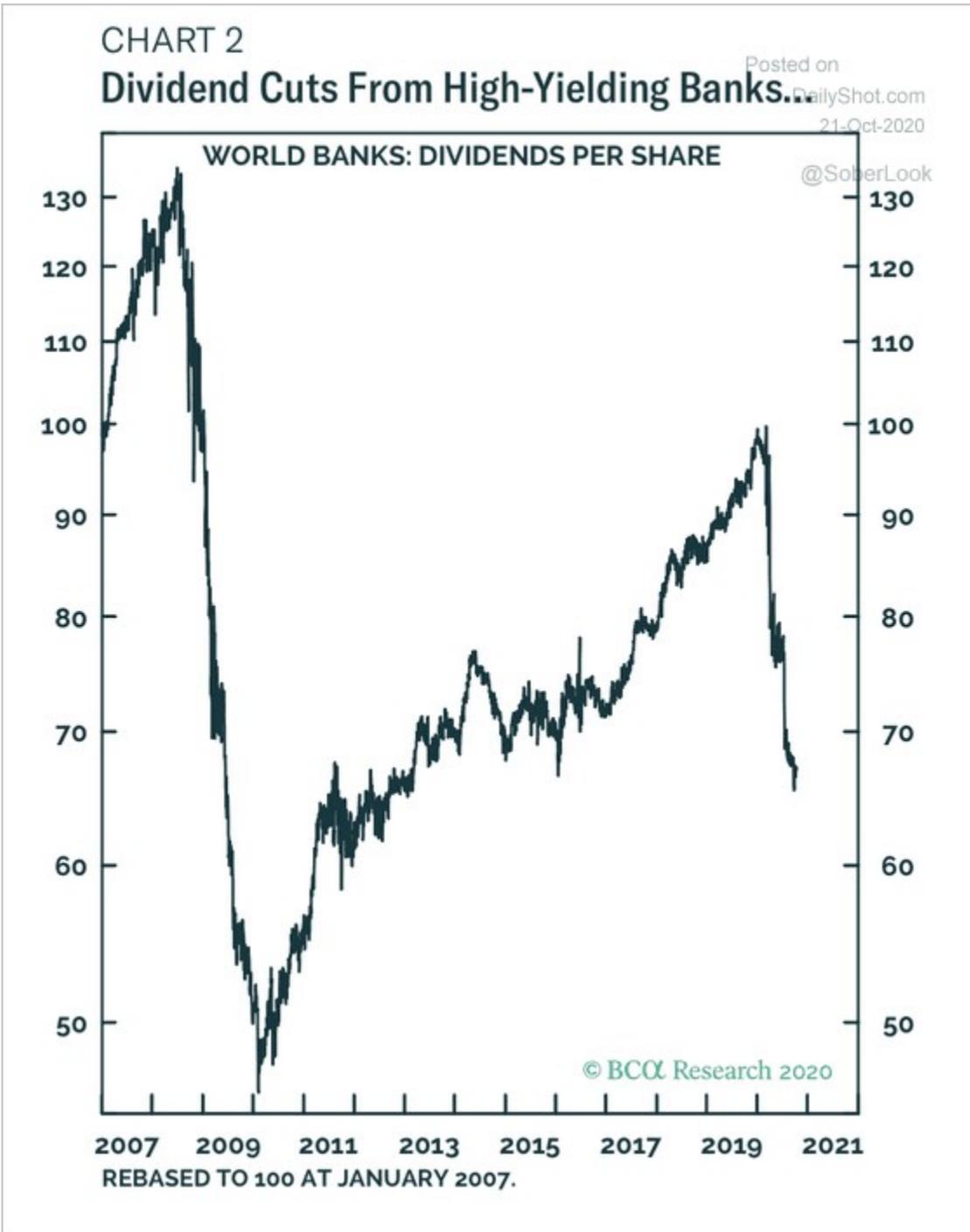
some updates on dividend trends.

- [Dividend Aristocrats](#) have done well in recent weeks.



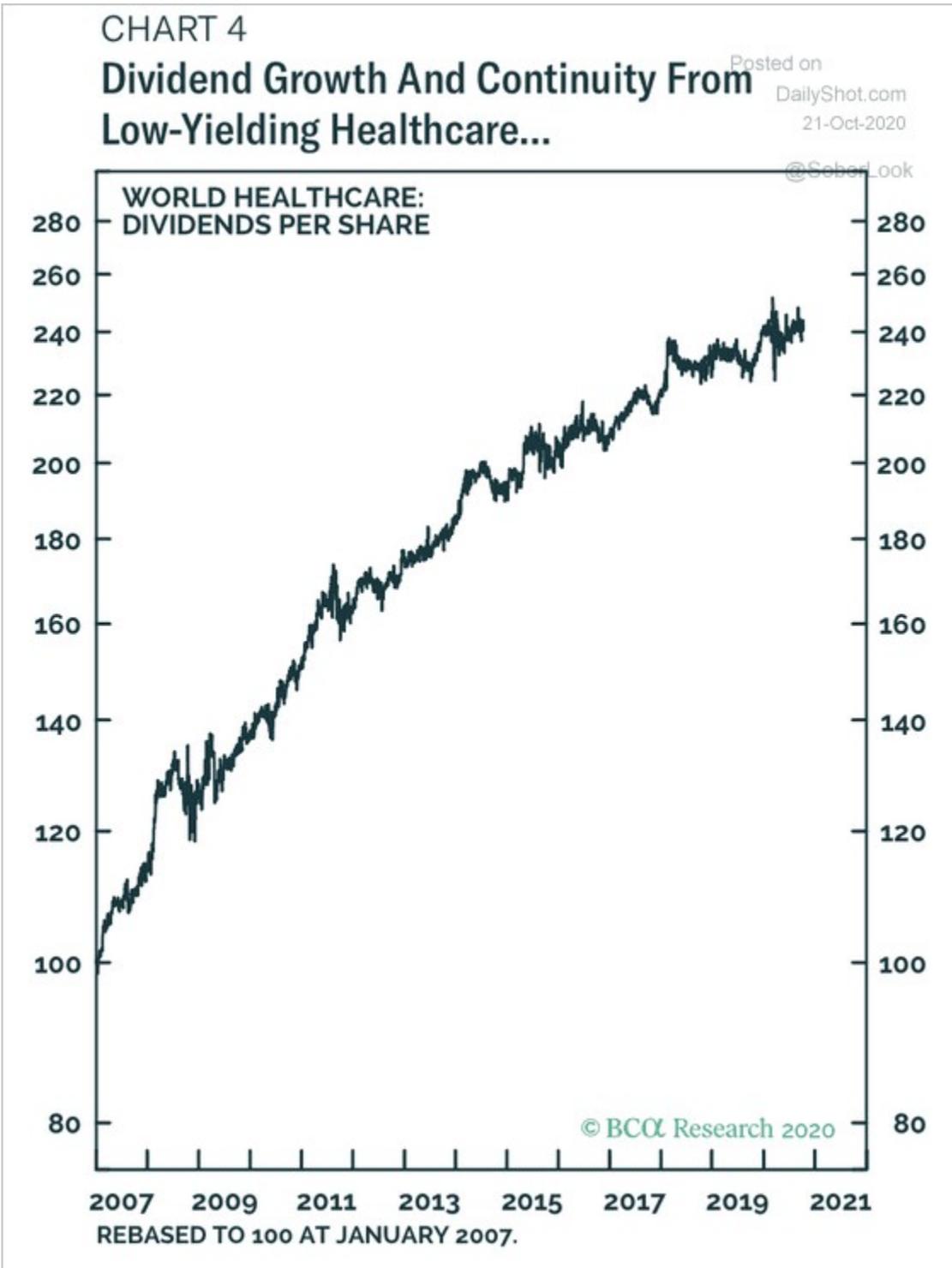
Source: [@markets](#) [Read full article](#)

- Banks have substantially cut dividends this year.



Source: [BCA Research](#)

- Healthcare has maintained its dividend per share growth, ...



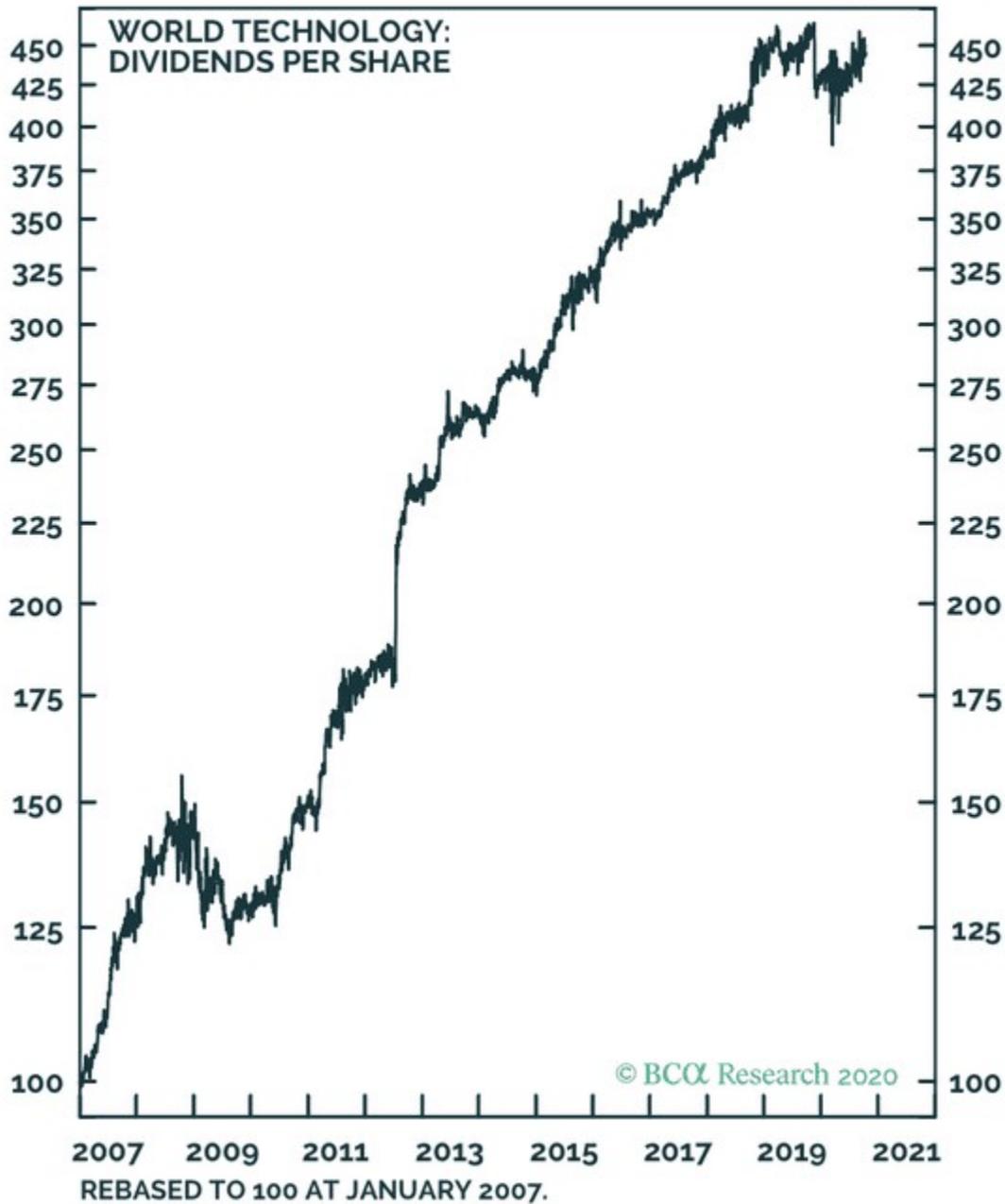
Source: [BCA Research](#)

... and tech dividends have been stable.

# CHART 5 ...And Low-Yielding Tech

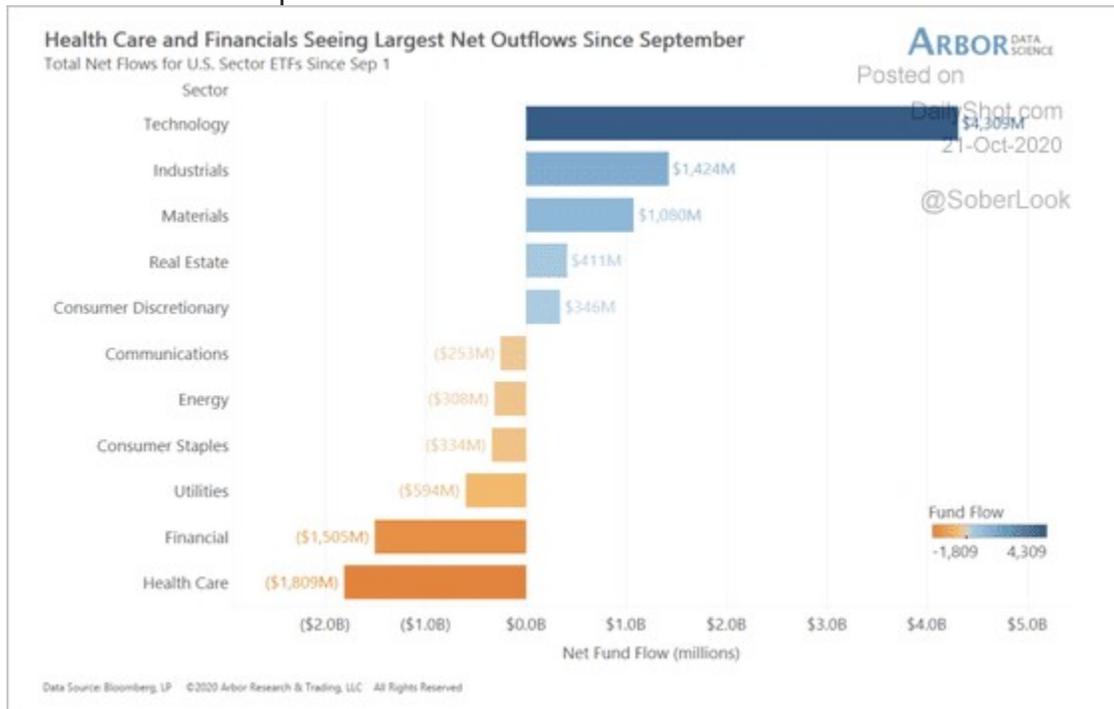
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21-Oct-2020

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Source: [BCA Research](#)

## ETF flows since September:



Source: [Arbor Research & Trading](#)

Gaming stocks:

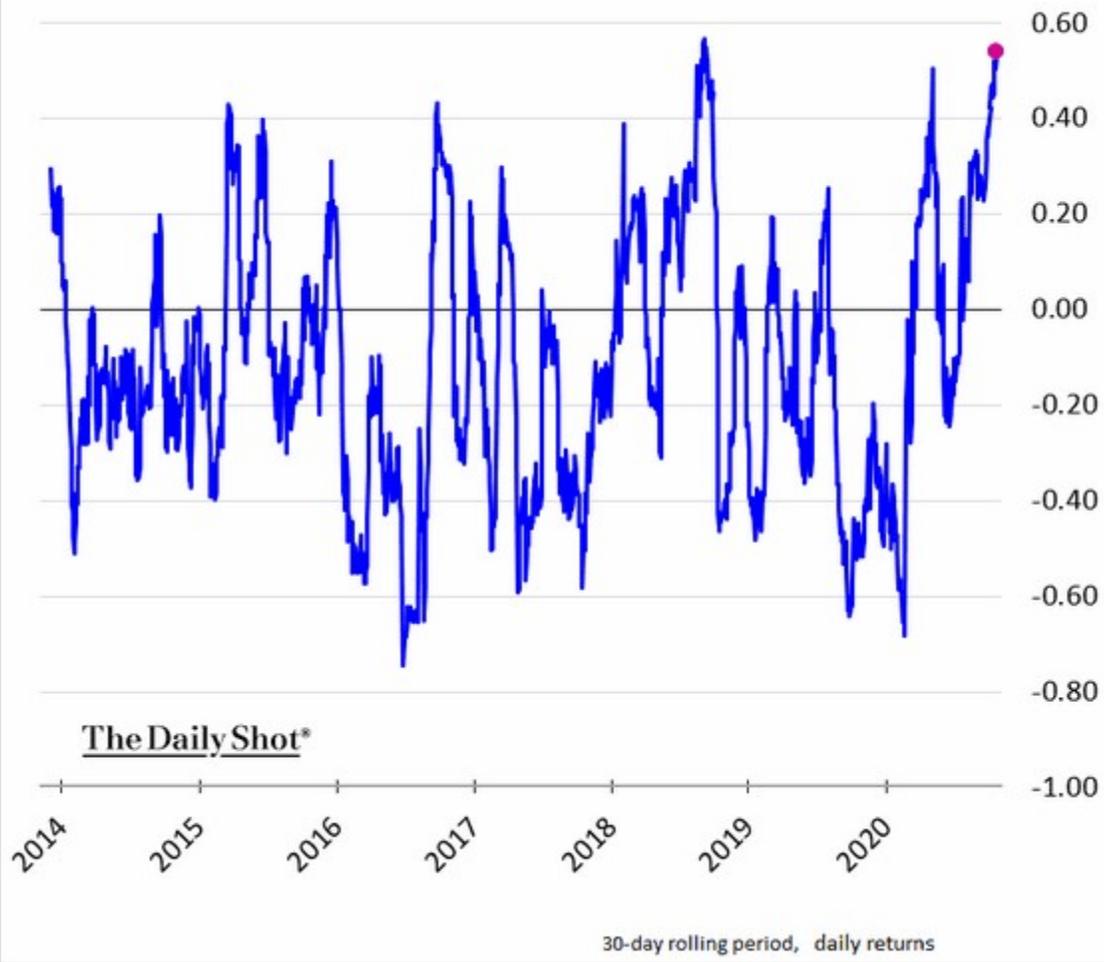


Precious metals are higher on stimulus bets.



- The correlation between gold and stocks remains elevated (both benefit from government stimulus).

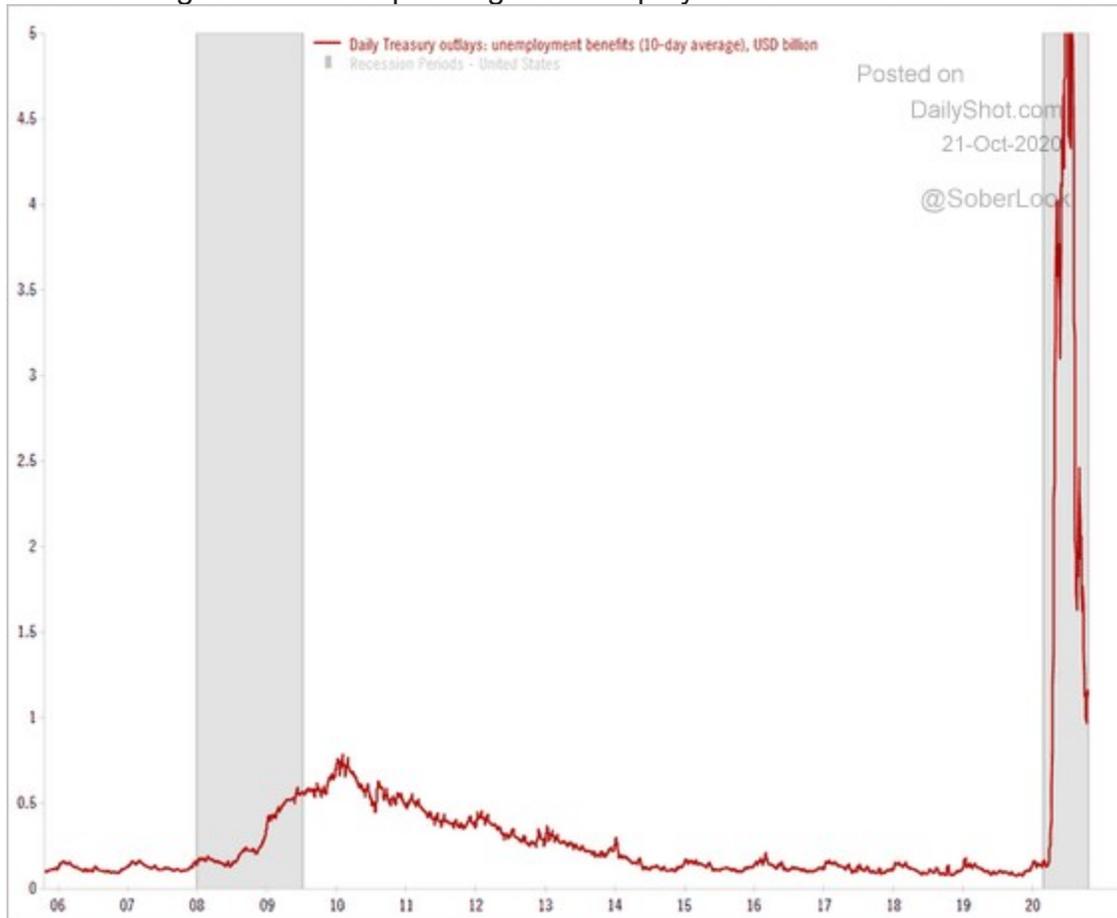
# Correlation: SPDR Gold Shares vs. SPDR S&P 500 ETF



Bitcoin is above \$12k as the dollar weakens.



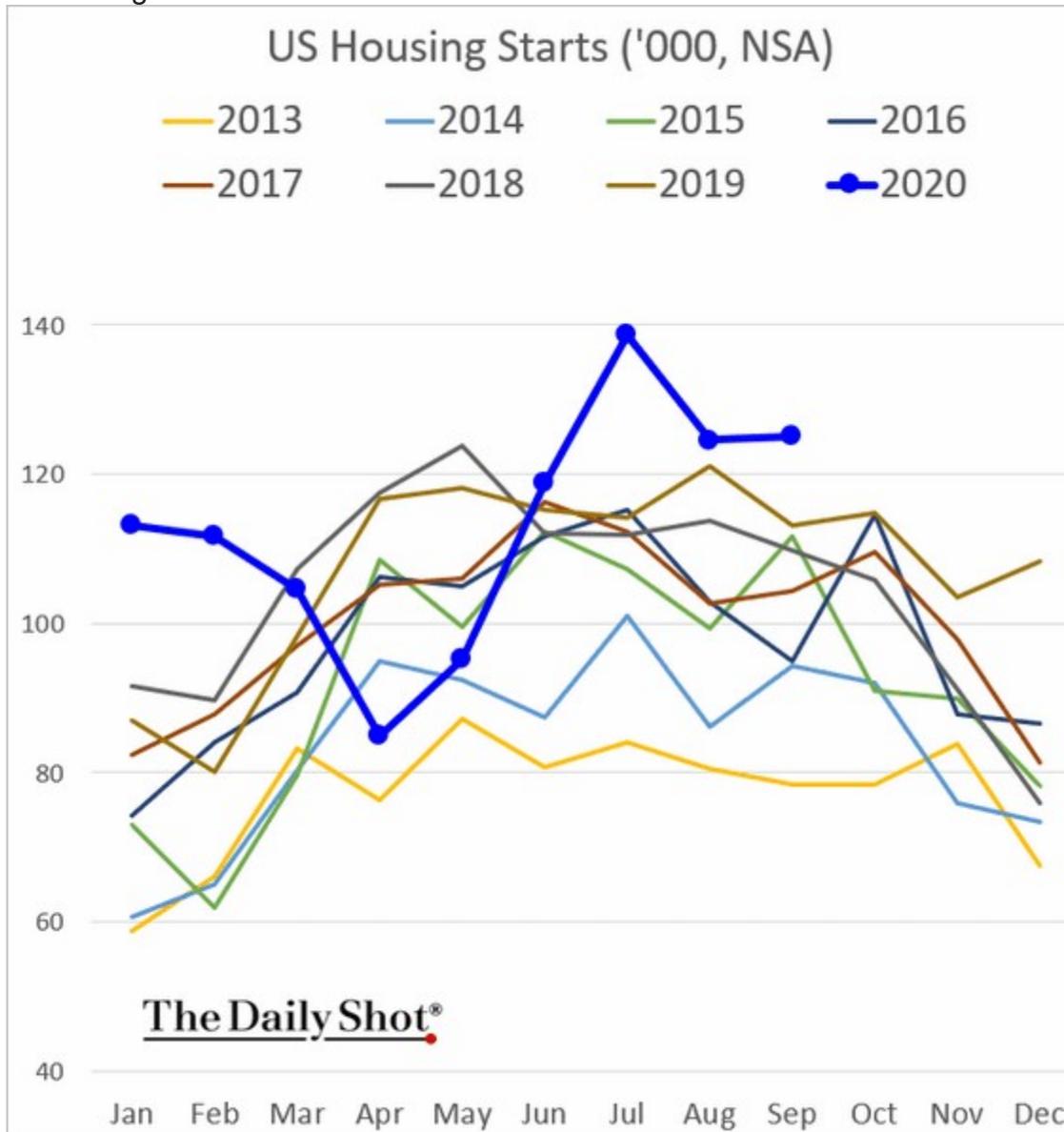
The federal government's spending on unemployment benefits has declined sharply.



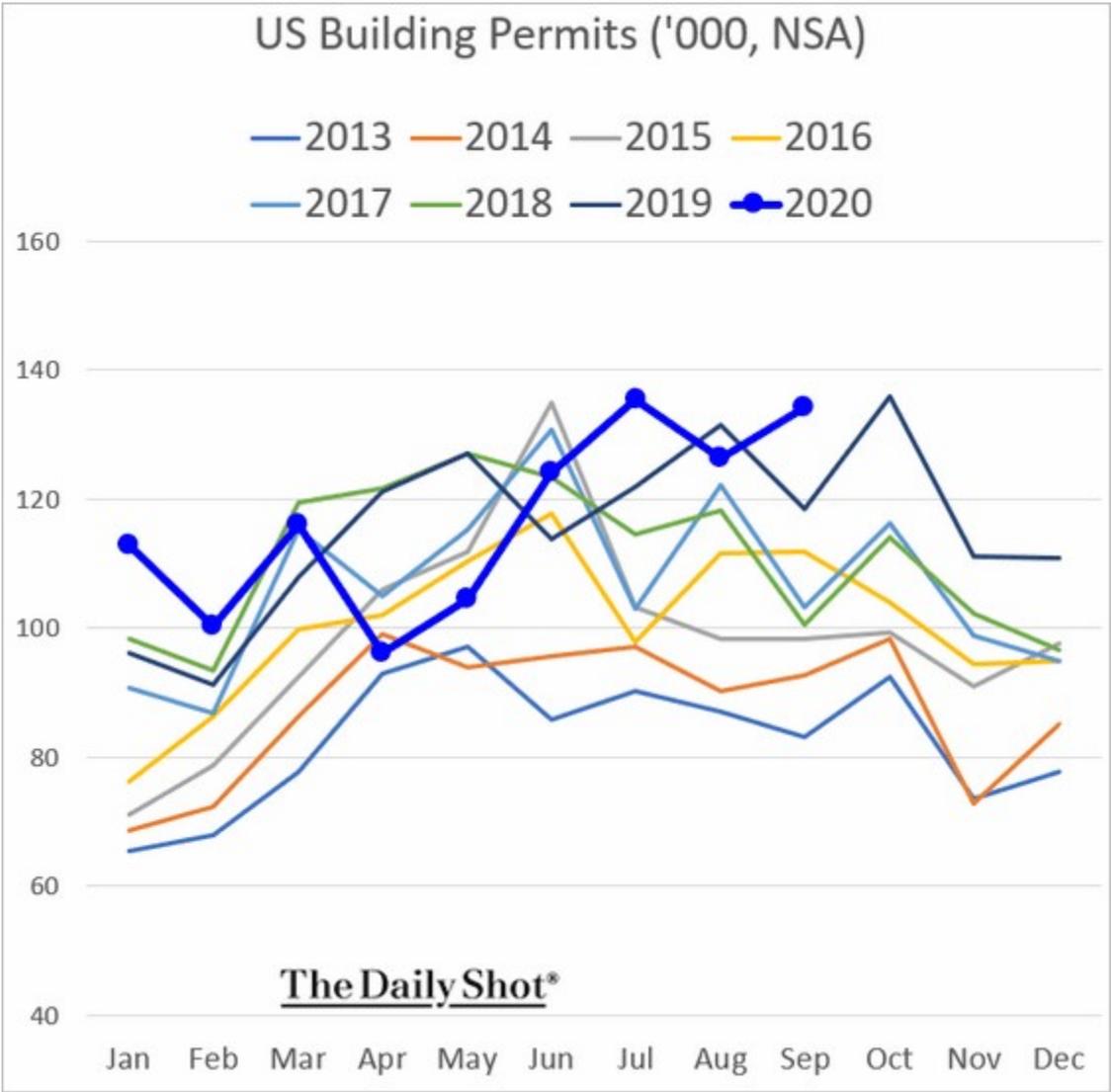
Source: @TCosterg

some updates on new residential construction, which remained robust last month.

– Housing starts:

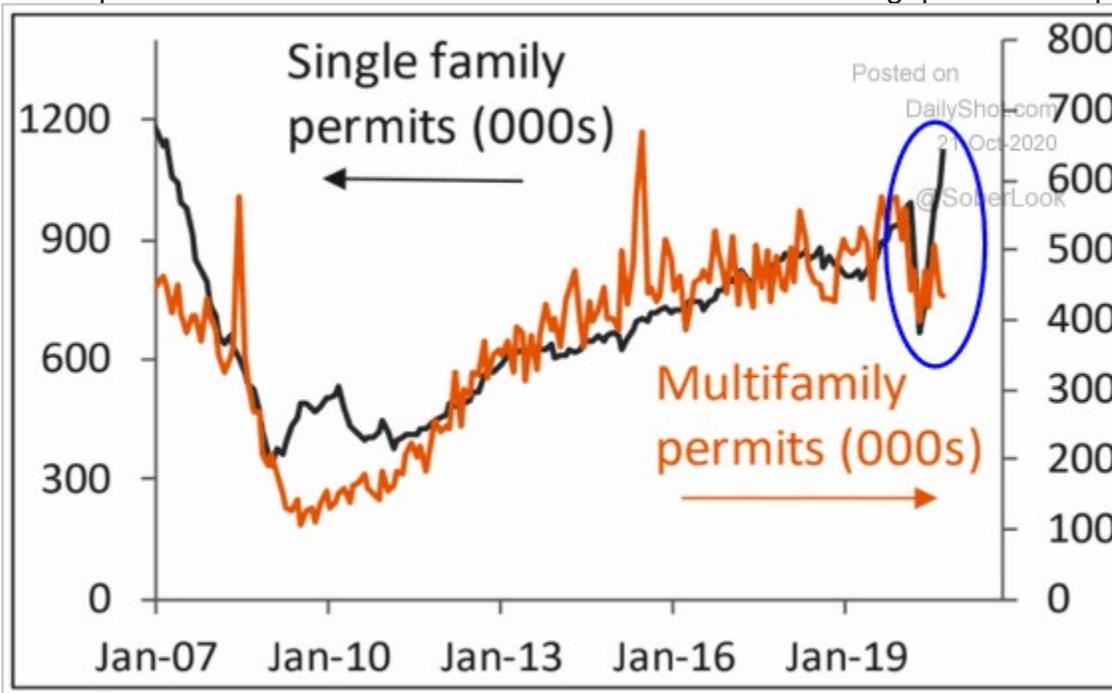


– Building permits:



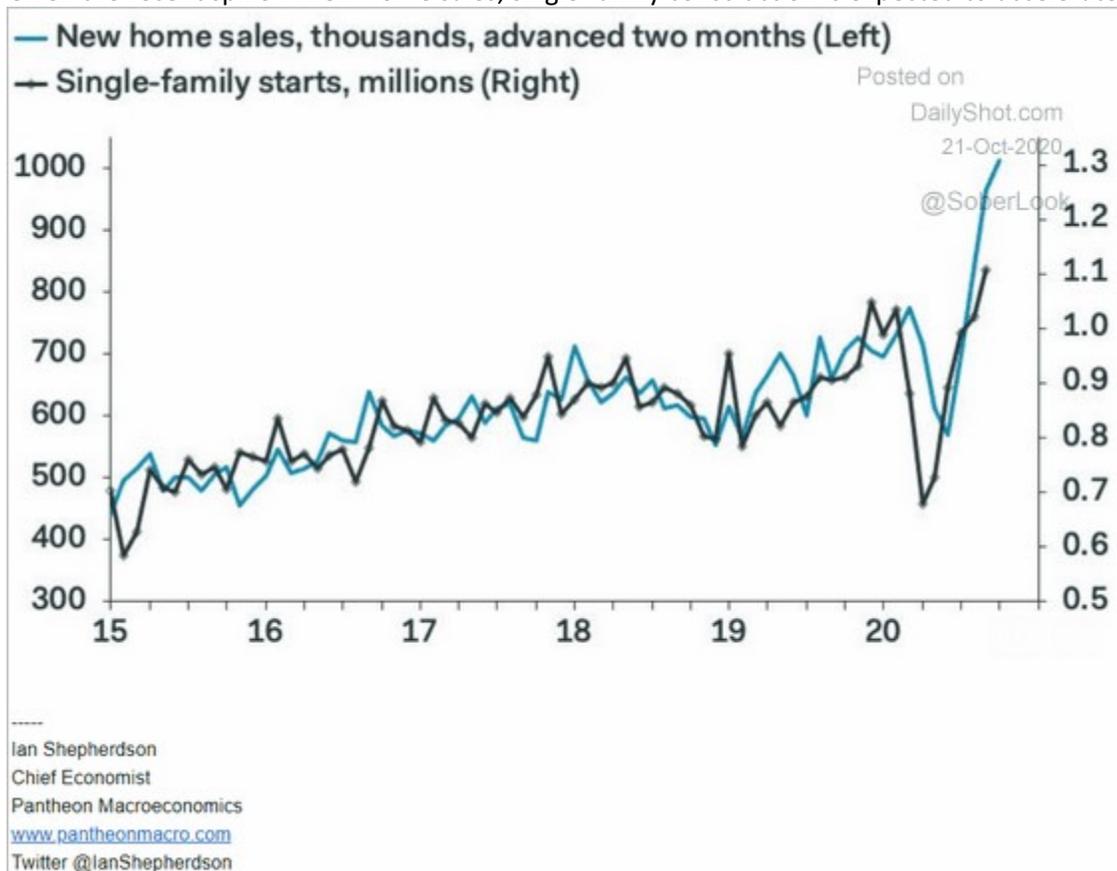
There was a substantial divergence between single-family and multi-family housing. The need for

more space and less crowded areas has widened the demand gap between apartments and houses.



Source: [Piper Sandler](#)

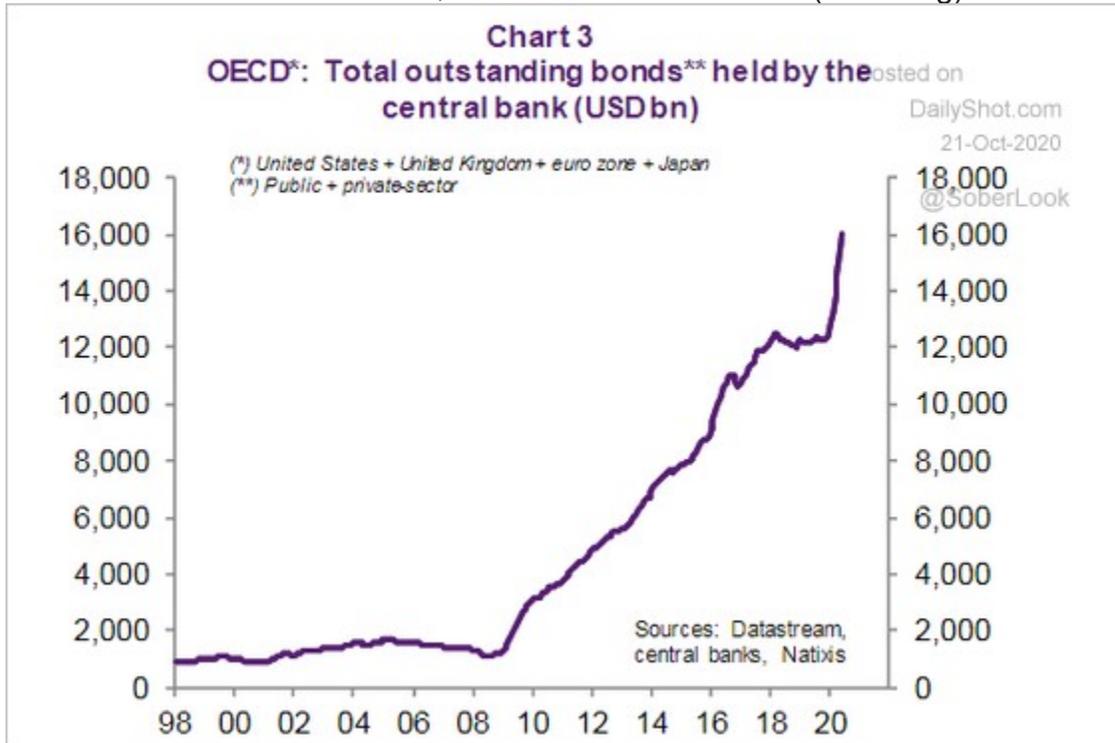
Given the recent spike in new home sales, single-family construction is expected to accelerate further.



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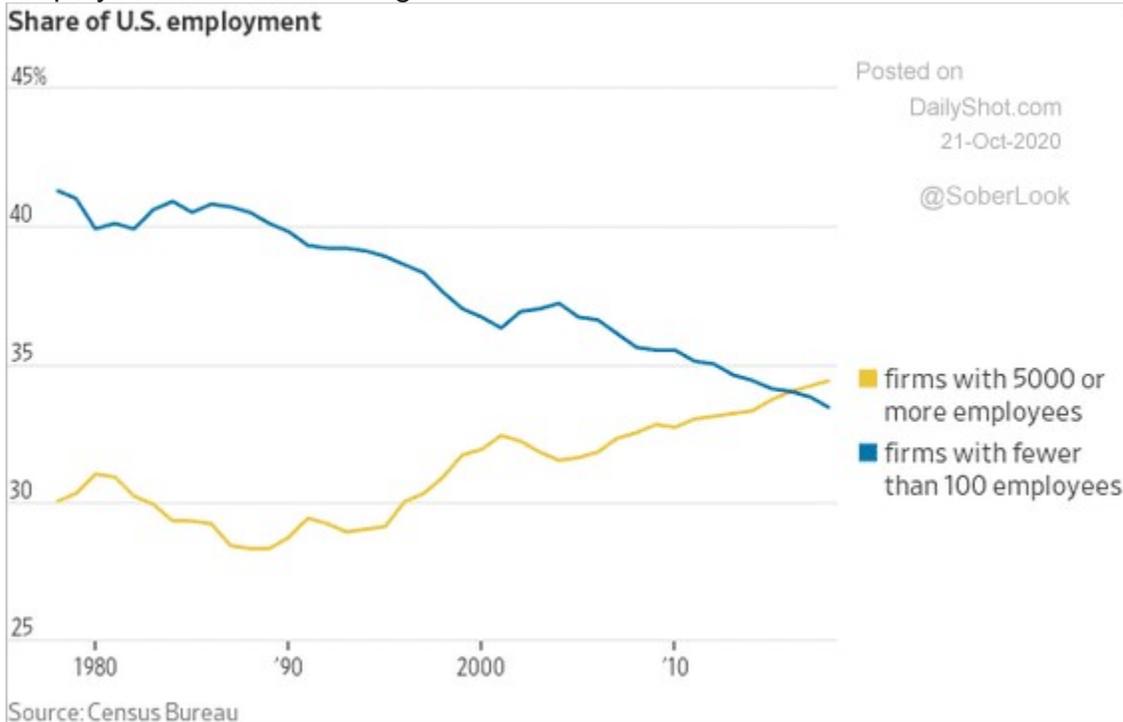
Source: [Pantheon Macroeconomics](#)

Central banks now own some \$16 trillion worth of bonds. (Shocking)



Source: [Natixis](#)

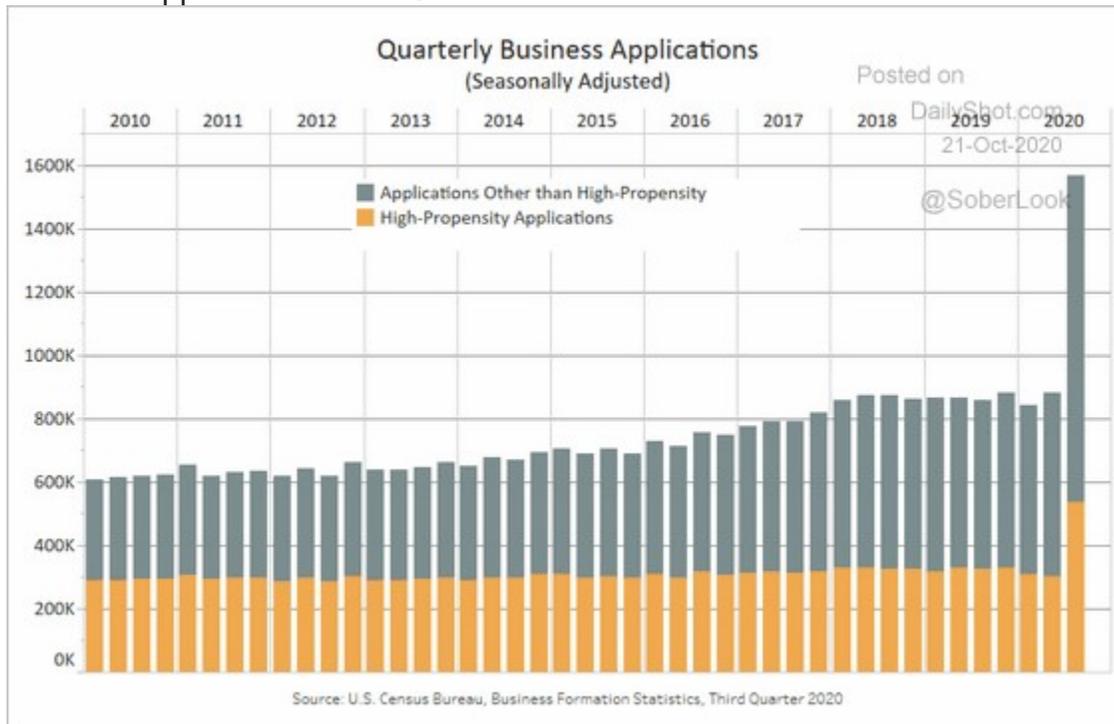
Employment at small vs. large firms over time:



Source: Census Bureau

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

## Business applications in the US:



Source: [@uscensusbureau](#)

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