

Nick Lampone

From: Nick Lampone
Sent: Tuesday, December 15, 2020 8:05 AM
Subject: Morning CORE
Attachments: Core logo.png

Shoot me an email or sign up at the website <https://www.themorningcore.com/> if you would like someone added to the morning note.

US Futures-World Markets: The S&P closed lower 4 straight days, but this feels more like consolidation than any type of selloff. We're just chopping around between 3600-3700 waiting for a catalyst in either direction. S&P futures trade higher this am as investors continue to shake off near-term lockdowns across the globe and look towards 2021 growth and a return to normal. Moderna expects FDA emergency approval for its coronavirus vaccine this week. Keep an eye on Georgia Senate elections as January 5th approaches. I'm amazed people pay attention to any political polls when they are consistently unreliable. The Electoral College formally confirmed Joe Biden as our 46th president. So much for Amy Coney Barrett "stealing" the election for Trump if confirmed. Both sides of political aisle are masterful at peddling fear. We've waited on a stimulus bill for two-plus months. Is today the day? McConnell and Schumer will hold press briefings, but wake me up when they have an agreement. Expect the same rhetoric. S&P Futures vs. Fair Value: +24.40, 10-Yr Yield: 0.903%.

CORE Headlines:

- Aon's \$30 billion bid for Willis Towers to create the world's largest insurance broker faces a full-scale investigation because of its complexity.-Reuters
- Eli Lilly said it would buy Preval Therapeutics in a deal valued at \$1.04 billion to expand its presence in the lucrative field of gene therapy.-Reuters
- A bipartisan group of lawmakers introduced two stimulus bills: A \$748 bln stimulus with aid to small businesses and unemployment and a separate \$160 bln bill for state and local government funding and liability protection. There is no guarantee leadership will support these bills.-NYT
- Private equity firms are mulling bids for Wells Fargo (**WFC**) asset management unit.-Bloomberg (Wells is crazy to sell it, IMO)
- A divided Wisconsin Supreme Court rejected a Trump campaign lawsuit seeking to reverse president-elect Joe Biden's victory, ending the president's last major effort to reverse the results as the Electoral College met Monday.-WSJ
- Early in-person voting began Monday in Georgia's US Senate runoffs, with both parties racing to turn out supporters for the January 5 election that will determine control of the Senate; there have been more than a million requests for mail-in ballots.-WSJ (more vote-counting shenanigans?)
- The Federal Trade Commission on Monday ordered nine prominent social-media and internet companies—**AMZN, FB, WhatsApp, Reddit, SNAP, TWTR, YouTube, Discord, and ByteDance**—to provide data about their operations as part of a wide-ranging study into their business practices.-WSJ (It's about time!)
- Ford has started delivering its much-anticipated 2021 F-150 pickups to dealerships as fast as they're coming off the assembly line, and buyers, many of whom were on waiting lists, are lining up to acquire them.-USA (Stock is flat YTD)
- Outdoor dining will be suspended in New York City beginning 2 p.m. Wednesday—the Department of Sanitation issued a "snow alert" ahead of an impending winter storm that may dump more than eight inches of snow.-NYP (might be dumbest govt. alert ever)

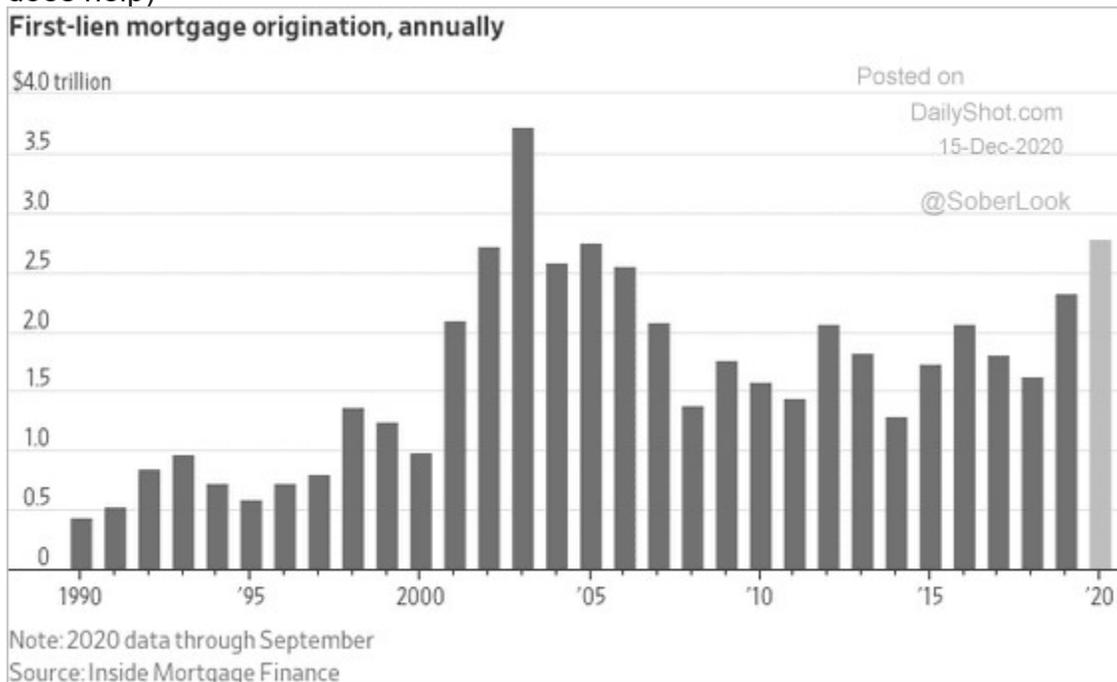
- American imports from China are surging as the year draws to a close, fueled by stay-at-home shoppers buying Chinese-made goods, including furniture, appliances, and toys, a boon the world's largest manufacturer of many of those items.-NYT
- Older Americans will be pivotal to the success of the vaccination campaign rolling out across the US—the age group is the most likely to be hospitalized and to die from Covid-19, and the least likely to muster a strong immune response to the coronavirus.-NYT
- The United Auto Workers agreed on Monday to a settlement with the Department of Justice that calls for the powerful union to make substantial reforms after a multiyear corruption investigation that has led to more than a dozen criminal investigations.-FT (A corrupt union? I'm shocked!)

Interesting Reads/Charts:

- Plough.com: Ross Douthat says to have more kids <https://bit.ly/3nk8yk0> (demographics matter!!)
- The Diplomat: China's Belt & Road Initiative is alive and well (is anyone surprised?) <https://bit.ly/3r6xb6W>

Charts from The Daily Shot:

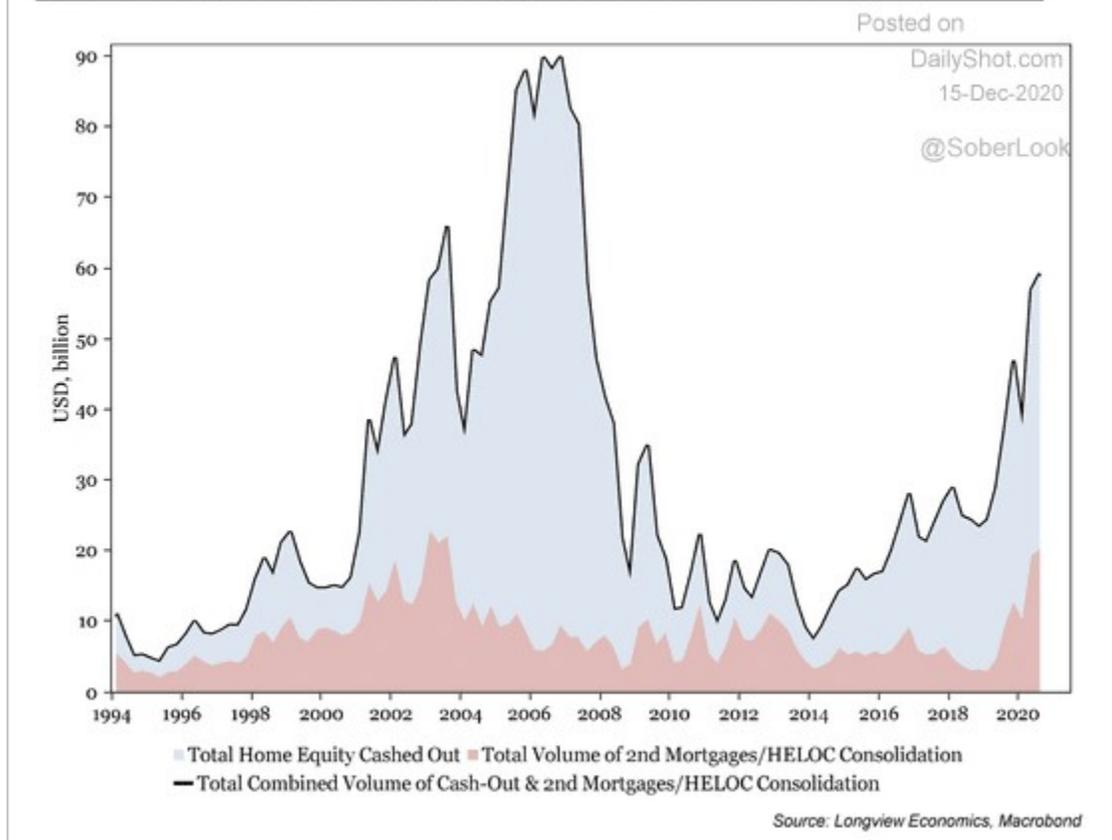
Mortgage originations hit the highest level since the peak of the housing bubble ... (free money sure does help)



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

Home equity withdrawals have increased in recent years.

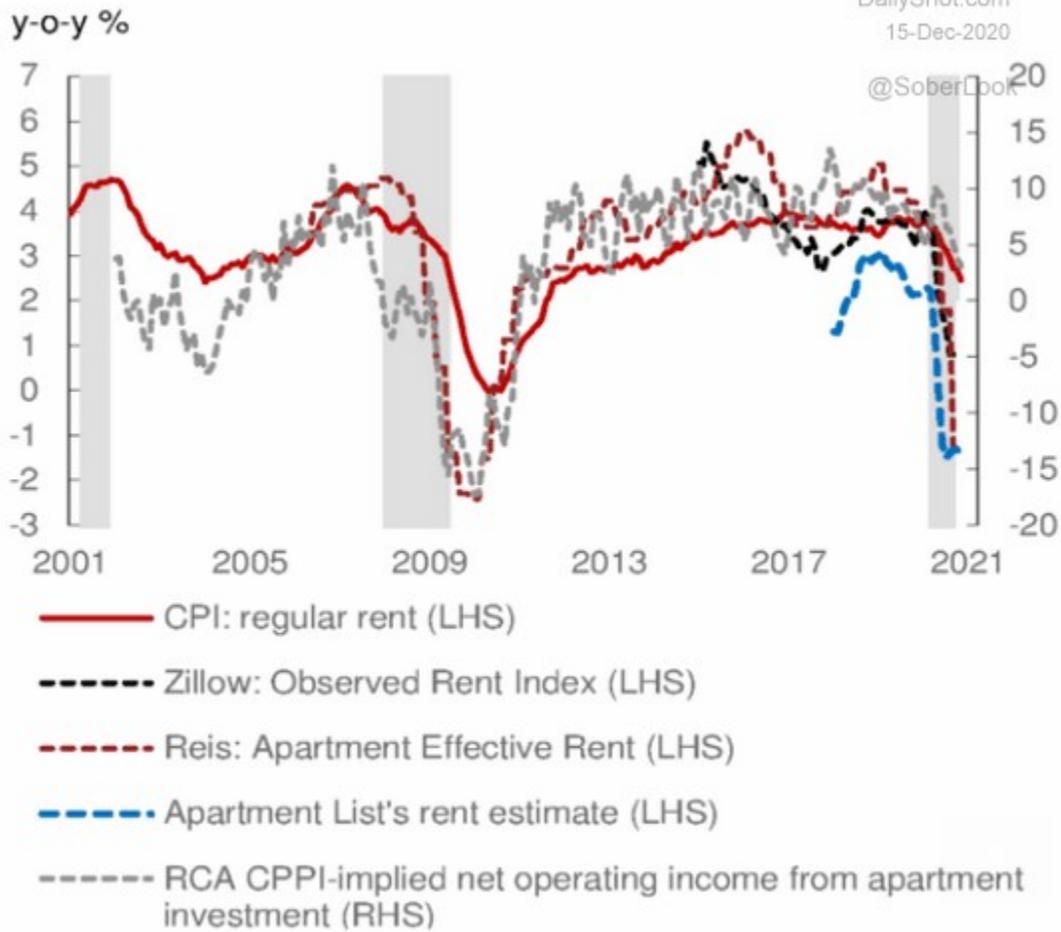
Fig 7: US home equity withdrawal (US\$ billion per quarter)



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

Will rents continue to face downward pressure?

Fig. 5: CPI regular rent inflation and other market rent data

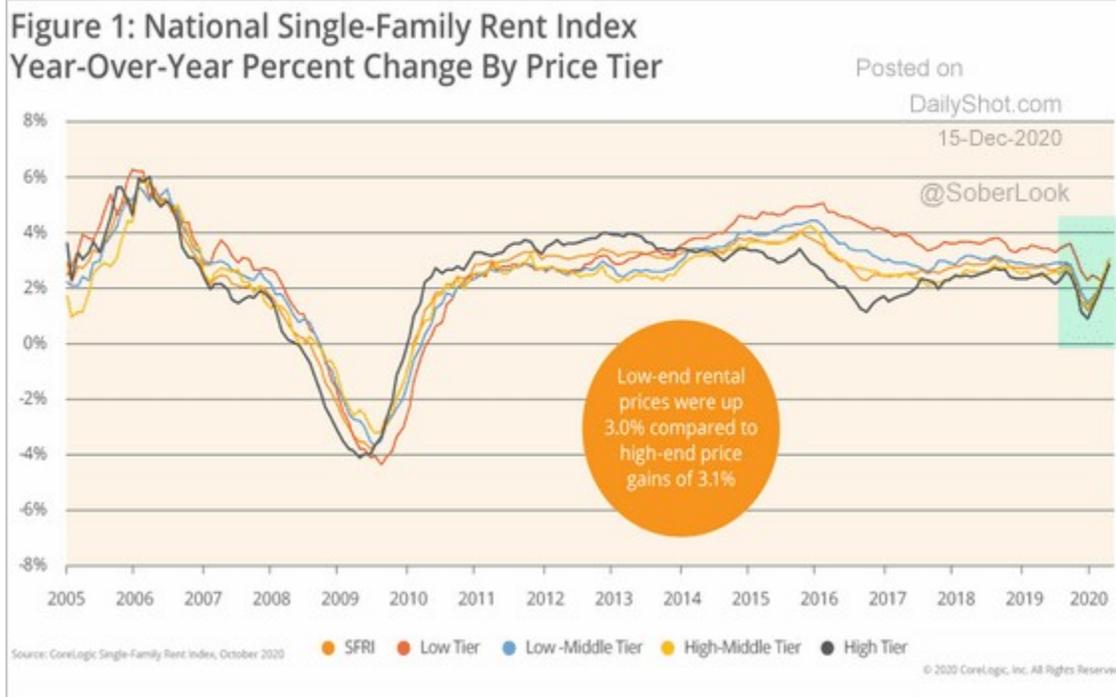


Note: Shadings indicate US recessions

Source: BLS, Zillow, Apartment List, RCA, Reis, Haver Analytics, Nomura

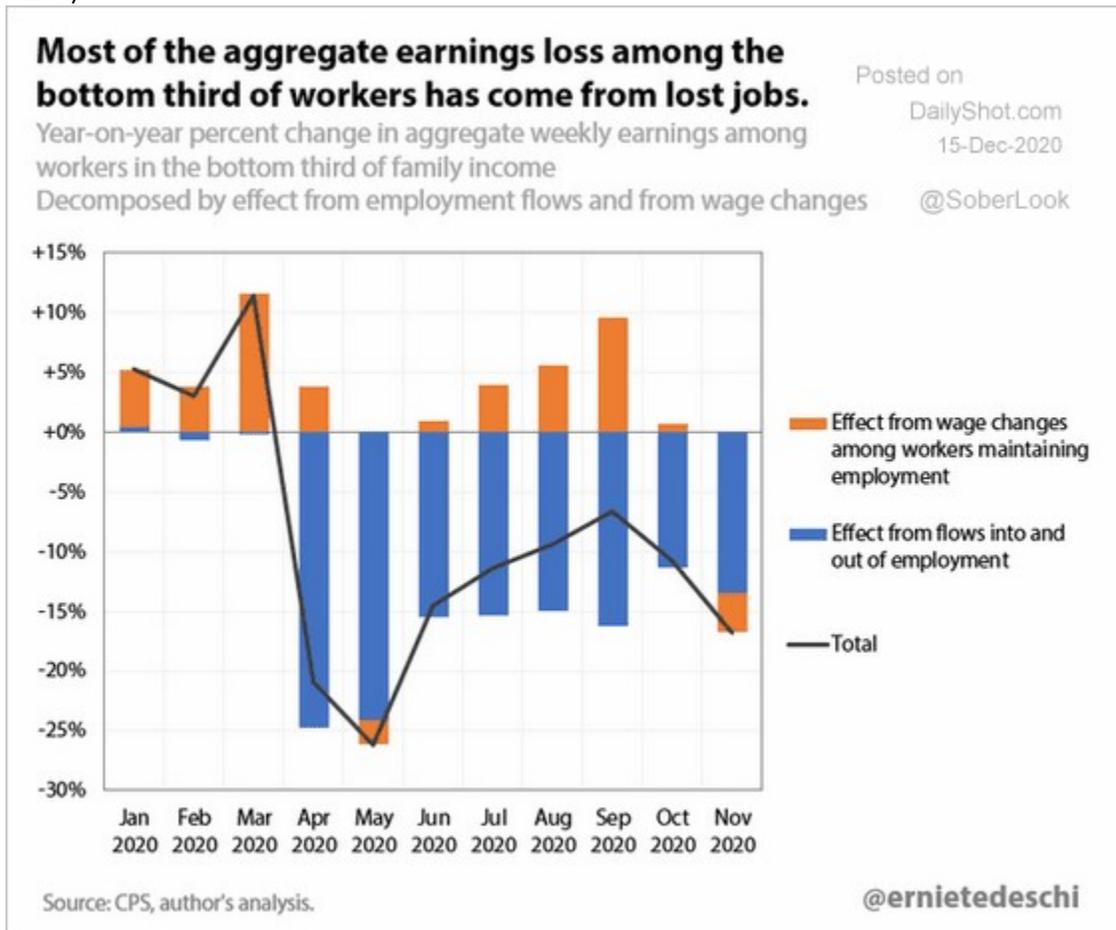
Source: [Nomura Securities](#)

Rents on single-family housing (as opposed to apartments) have bottomed, according to CoreLogic.



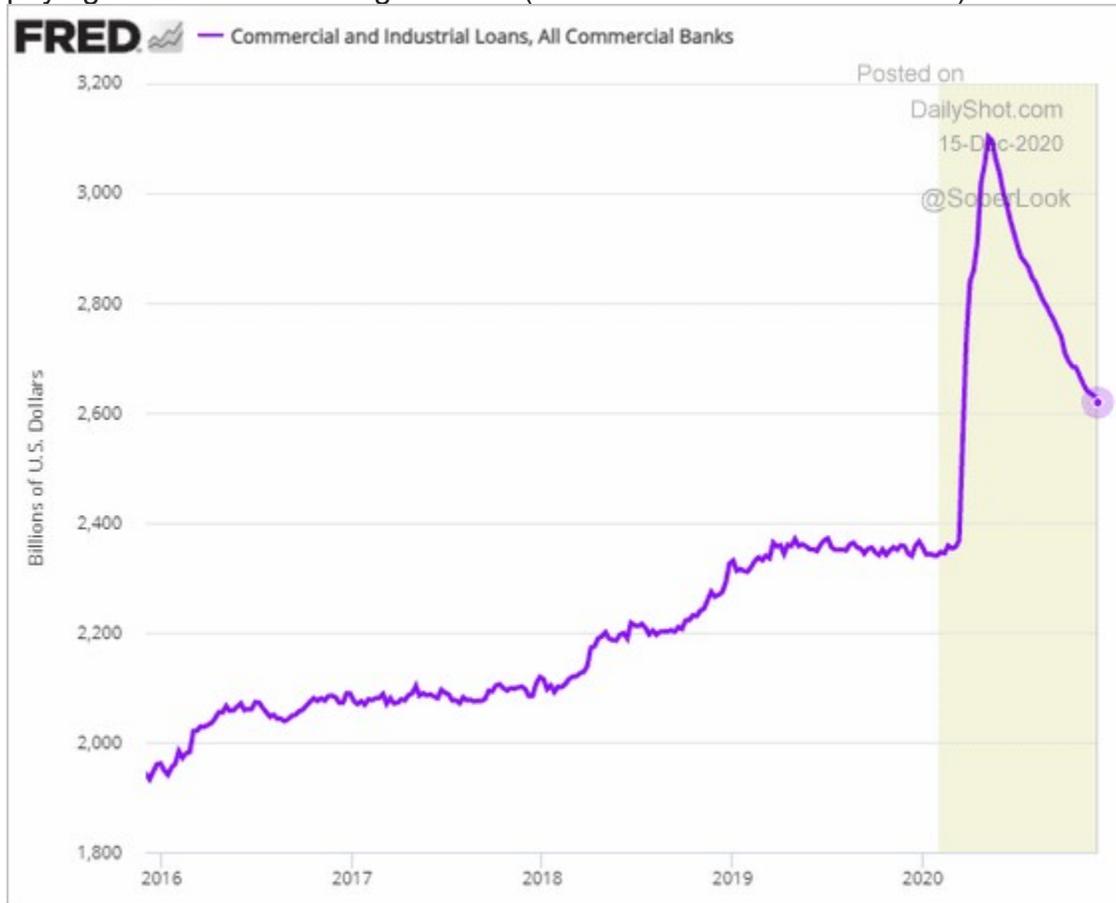
Source: [CoreLogic](https://www.corelogic.com)

Income reductions for lower-paid workers have been due to job loss rather than cuts in pay/hours. (Do politicians even care?)

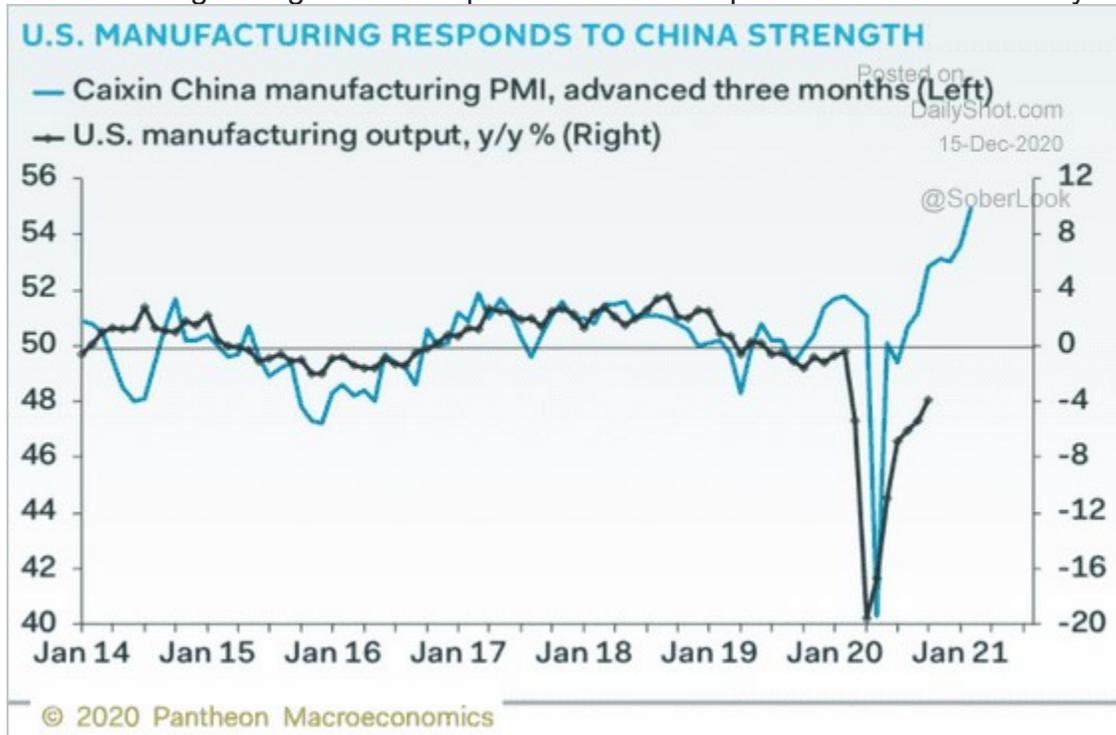


Source: [@ernietedeschi](https://twitter.com/ernietedeschi)

Business loans held on banks' balance sheets continue to decline, driven primarily by companies paying down their revolving facilities (and in some cases term loans).

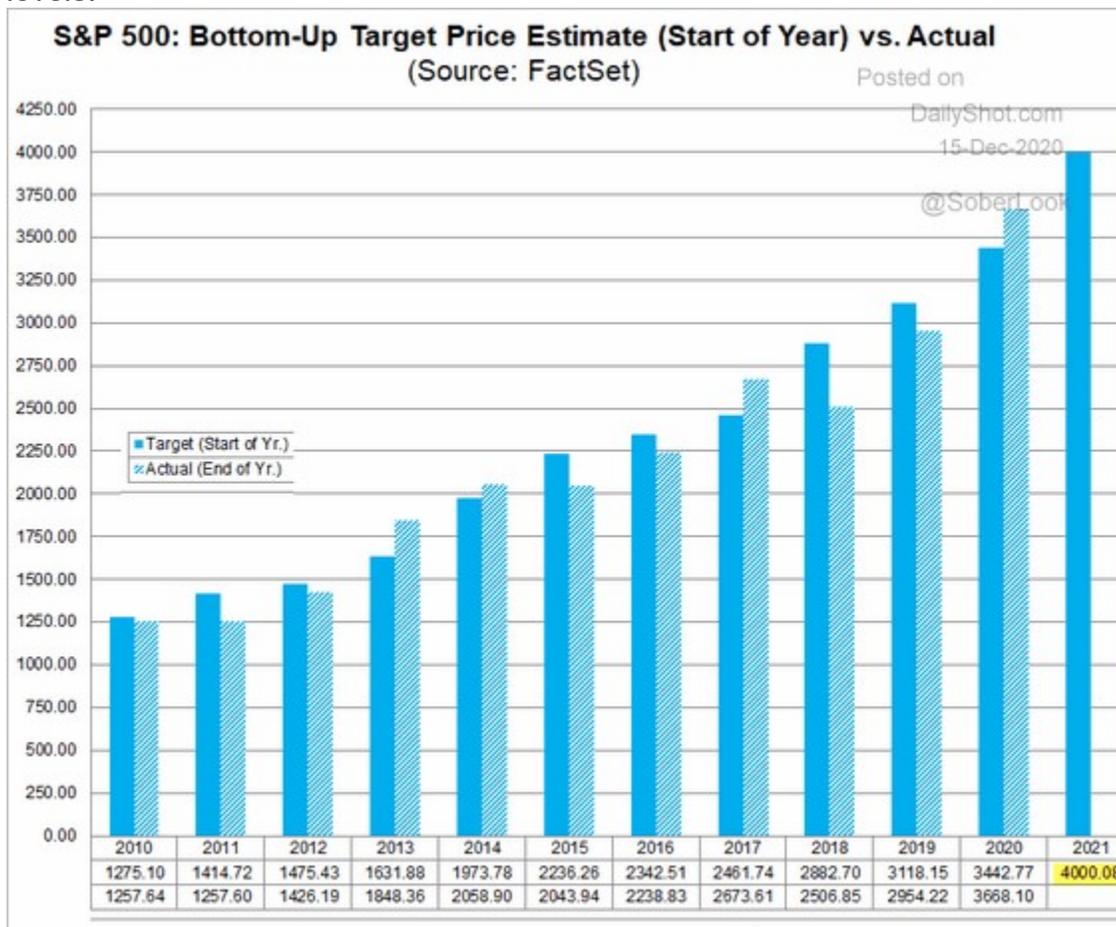


Manufacturing strength in China points to further improvements in US factory output.



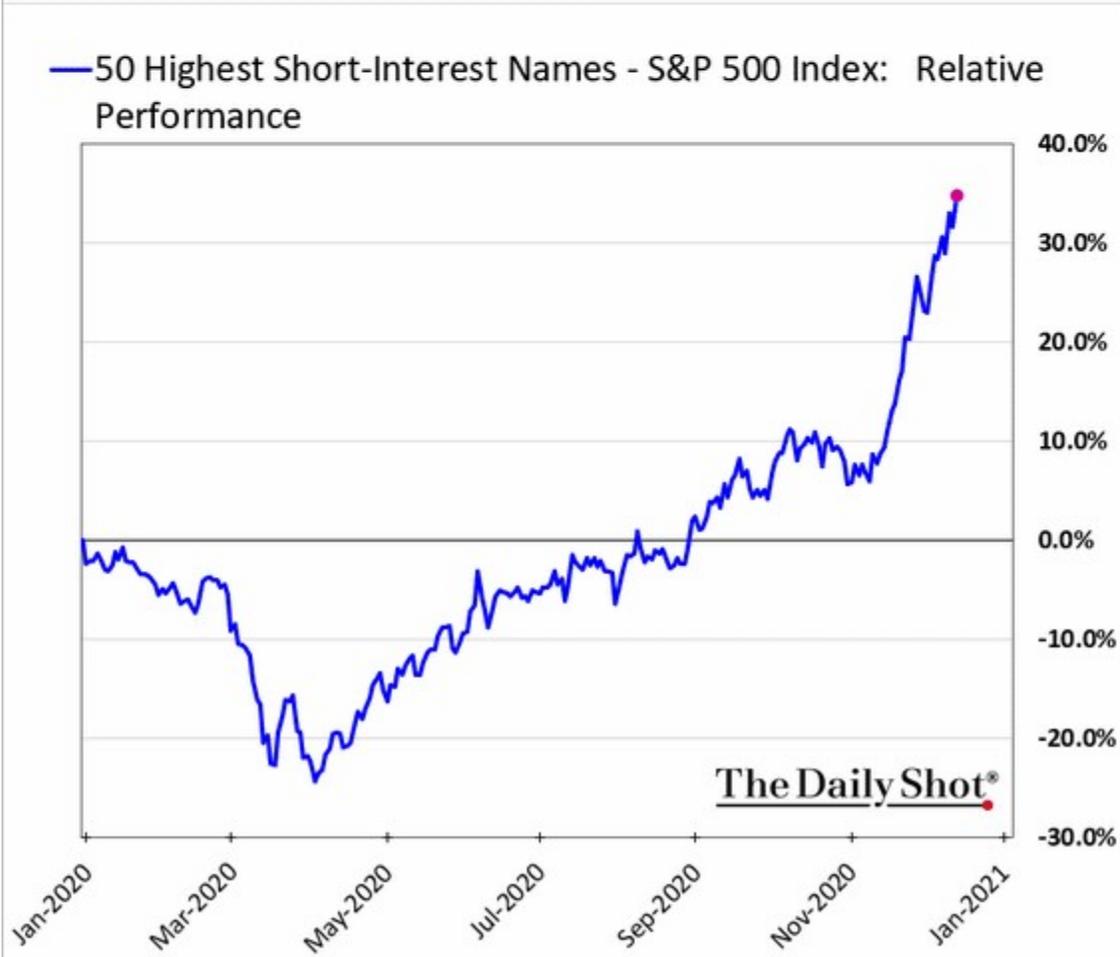
Source: [Pantheon Macroeconomics](#)

Bottom-up consensus 2021 target for the S&P 500 is now 4,000, nearly a 10% gain from current levels.

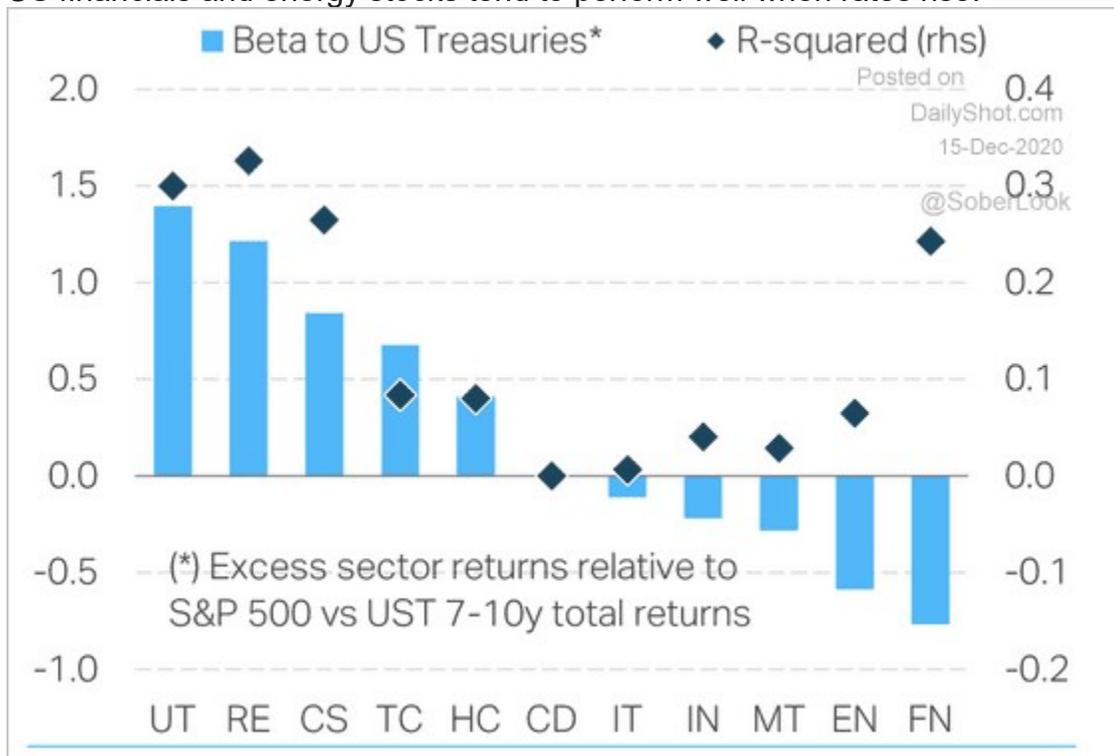


Source: @FactSet [Read full article](#)

Here is the relative performance of stocks with the highest short interest (short-sellers' capitulation). (Brutal few months to be a short seller. Retail/Robinhood traders have changed the game since March lows.)



US financials and energy stocks tend to perform well when rates rise.



Source: [TS Lombard](#)

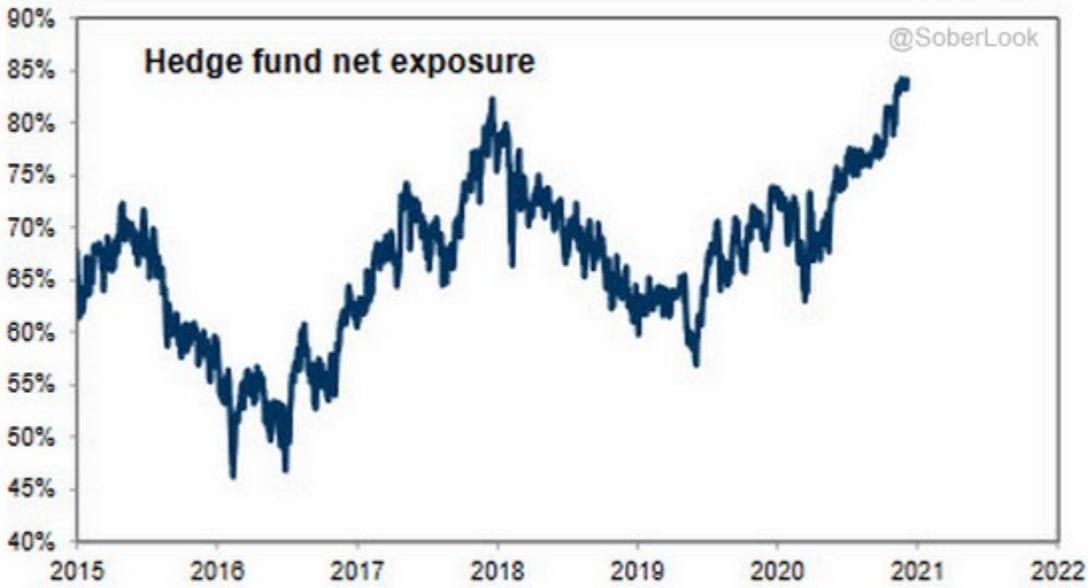
It's been a good year for semiconductor shares. (NVDA +126% YTD, AMD +106% YTD)



Hedge funds are running significant leverage. (It works until it doesn't)

Exhibit 4: Hedge fund net leverage near record levels as of December 4, 2020

Posted on
DailyShot.com
15-Dec-2020



Aggregated data from Goldman Sachs Prime Services; should not be relied upon as a comprehensive view of the market

Source: Goldman Sachs Global Investment Research

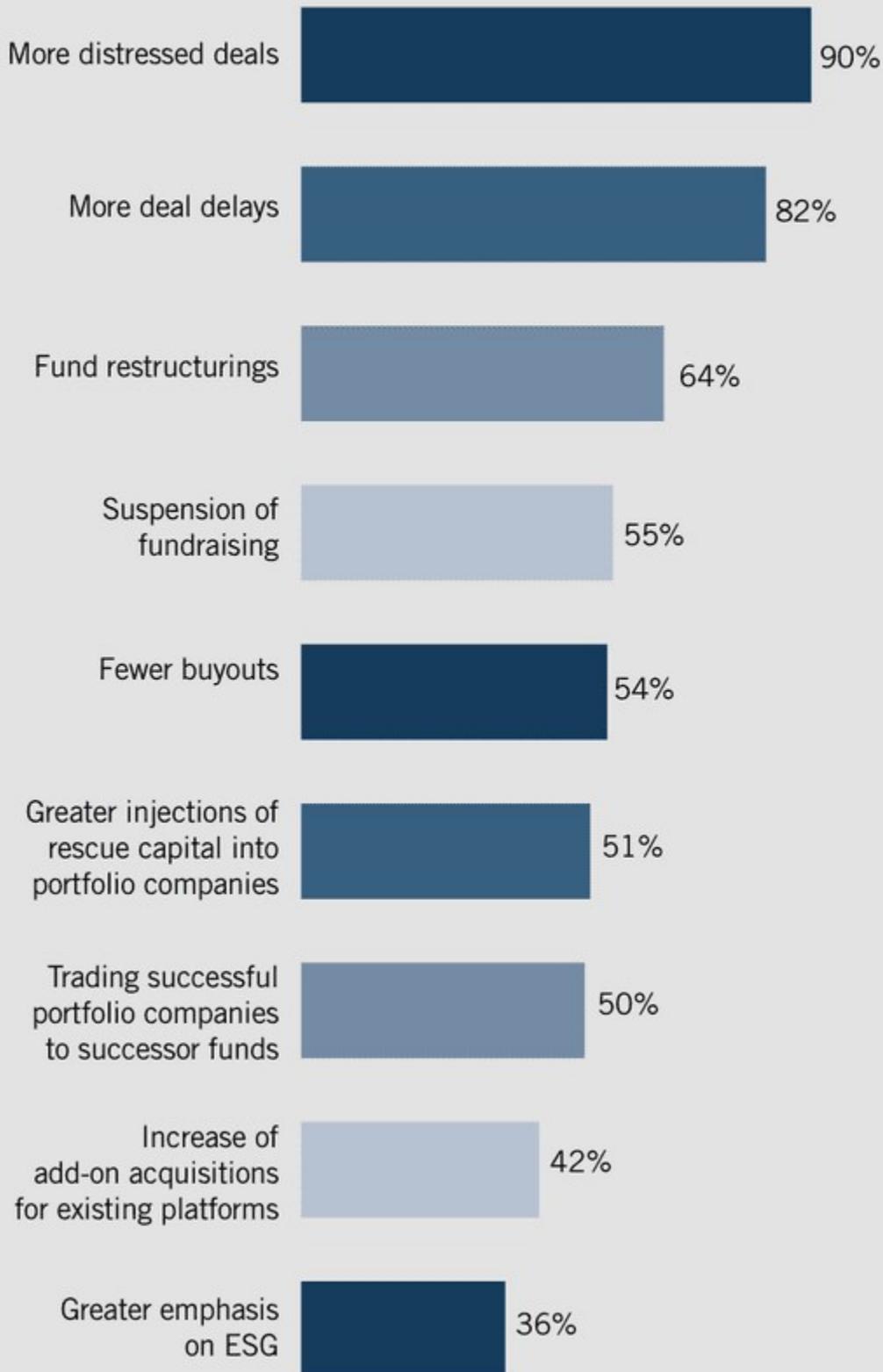
Source: [Goldman Sachs](#), [@ISABELNET_SA](#)

How has the pandemic impacted the global private equity industry?

WHAT TRENDS DO YOU SEE GROWING IN THE WAKE OF THE ONGOING COVID-19 CRISIS (CHOOSE ALL THAT APPLY)?

Posted on
Dealog.com
15-Dec-2020

@SoberLook



Source: [Dechert](#)

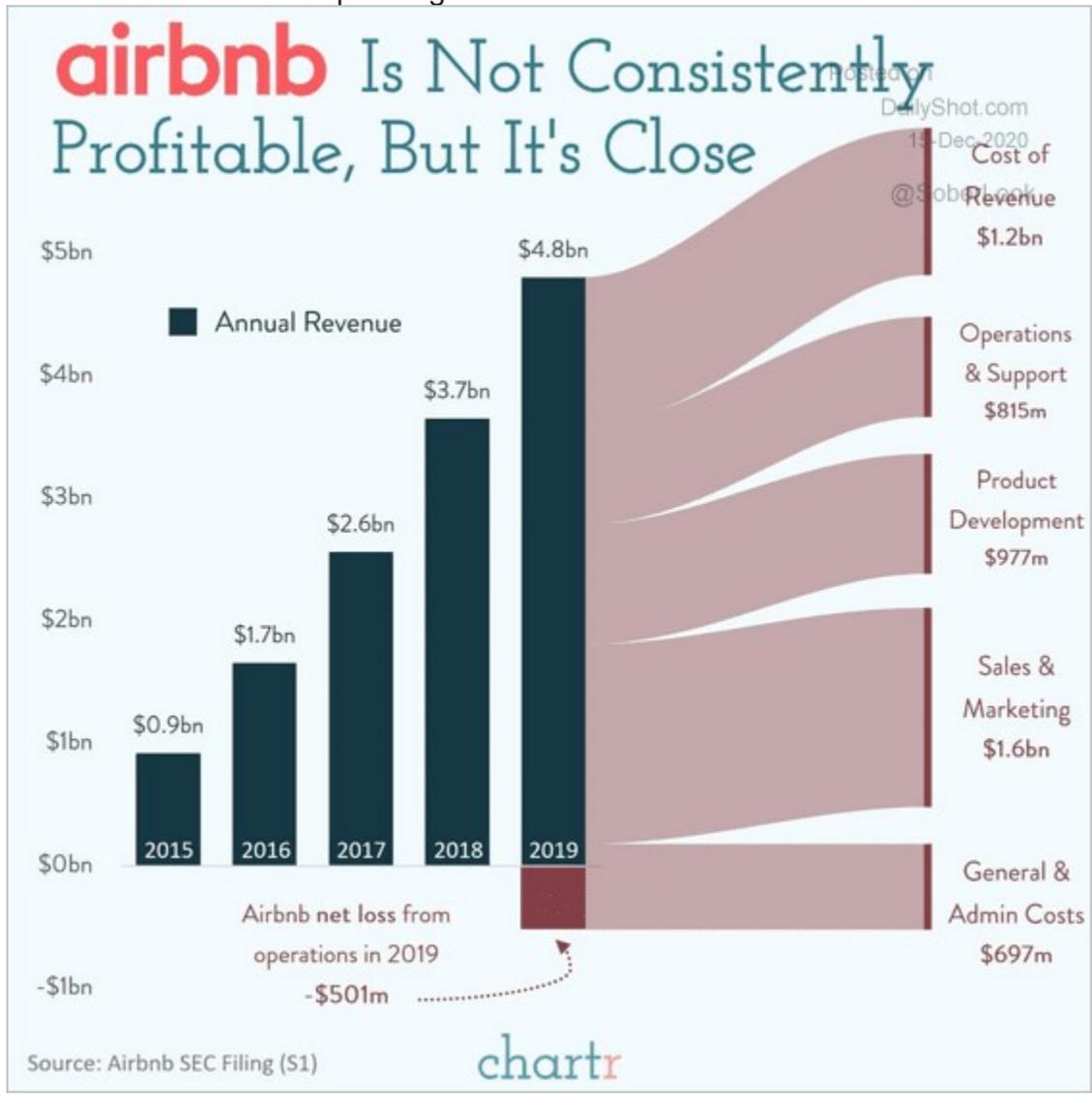
OPEC cut its oil demand forecast for 2021. Crude oil dipped in response but then rebounded. (China economic rebound helps)

OPEC cuts forecast for 2021 growth in oil demand

Source: MarketWatch [Read full article](#)

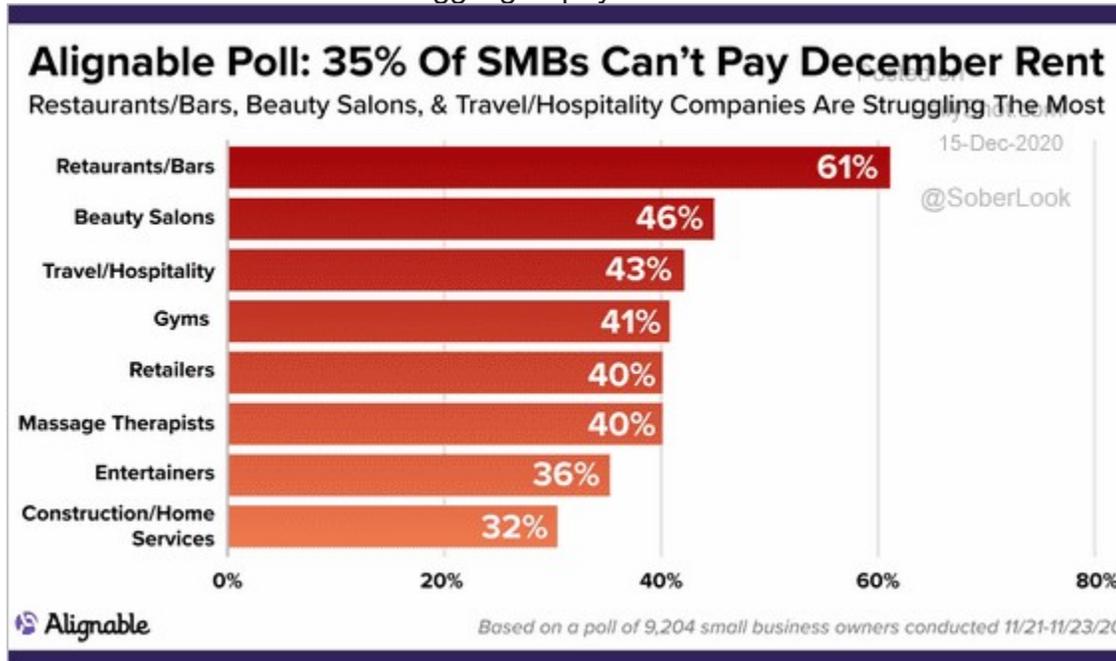
The ability to telework (not a shocker, but tell that to politicians who refuse to open schools and

Airbnb's revenues and spending:



Source: [@chartdaily](#)

Which US businesses are struggling to pay rent?



Source: [@Alignable](#)

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