



Weekly Letter:

Yellen triggers a great rebound. A new politics in the coming?

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Carlsquare
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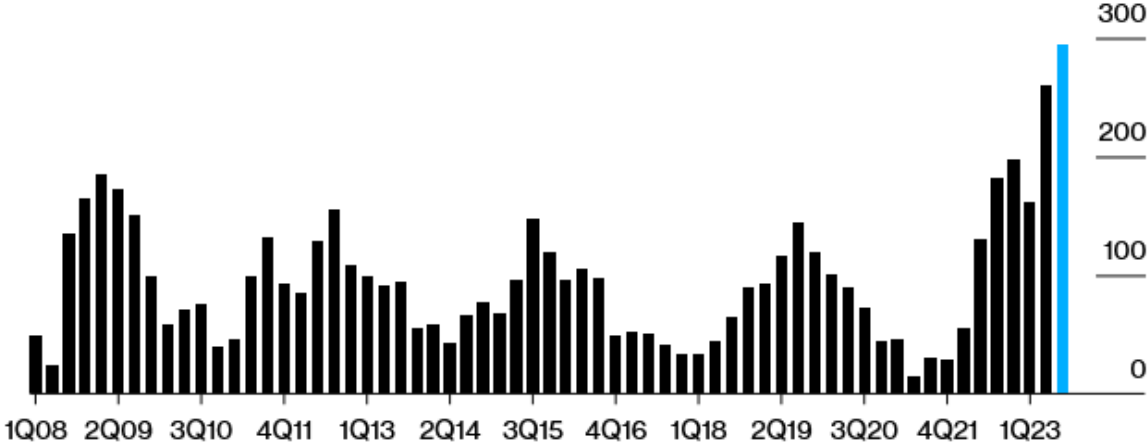
- The market is focused on movements from the Federal Reserve. This time, however, it was Janet Yellen, Secretary of the US Treasury, who caused the big move in the market. As former head of the Fed, is she mocking Jerome Powell, the current head of Fed? Anyway, she stirred up the market and triggered the pain trade that we have been warning about for the last few weeks
- The stock market was oversold before Yellen's move. Let's take one step at a time. Yellen's move can be the first big step with easing for the credit market though, giving more liquidity to the whole market – “buy all assets, as one analyst claimed”

It is a strange world we live in, with better-than-expected corporate earnings, but also a gloomier outlook. More on the reports below, but companies are generally worried about the future.

Demand Worries Plague US and European Earnings

Weak demand is on course for record mentions this season if trend holds

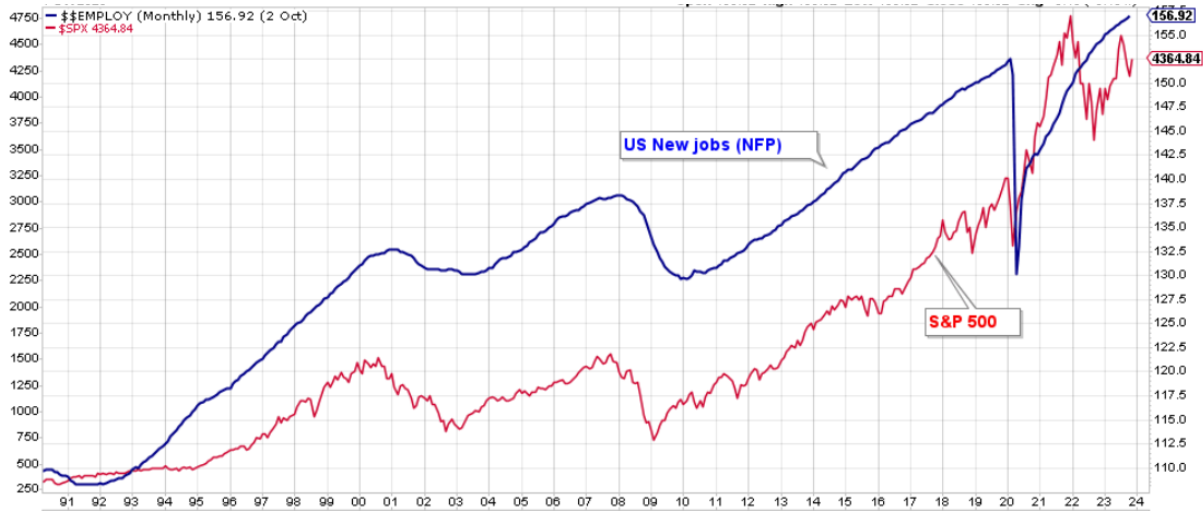
■ Weak demand mentions during earnings calls



Source: Bloomberg
Note: 3Q23 is estimate based on current trend for S&P 500 and Stoxx Europe 600

According to an analysis by Bloomberg, the words "weak demand" mentioned on corporate earnings calls peaked this quarter.

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The last US jobs report was over the weekend, but it is not yet visible in the statistics.

The blue line shows the NFP compared to the S&P 500 in the red line. As we pointed out last week, the uptrend in the blue line is melting away. We are close to a top, but it is not yet imminent. Of the 150,000 new jobs created in the United States last month, a tiny 10,000 were in the private sector. Most of the job creation is in the public sector.

We are worried and so is Treasury Secretary Janen Yellen. She was a super-soft dove as head of the Fed. Now as treasury secretary she must look after President Joe Biden's ability to get re-elected in 2024 (yes, he is formally a candidate).

Joe Biden's Presidential Job Approval Ratings

	%	Polling dates
Last job approval rating	37	Oct 2-23, 2023
Term average to date	44	Jan 20, 2021-present
Highest job approval rating to date	57	Jan. 21-Feb. 2, 2021 and April 1-21, 2021
Lowest job approval rating to date	37	April 3-25 and Oct. 2-23, 2023

GALLUP

Joe Biden will have a tough time getting re-elected. According to Gallup, he currently has an approval rating of only 37 per cent. He has been as high as 57 per cent, but that was a long time ago.

To give some perspective, here are historical data for US presidents in their third year in office. Note that Donald

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Trump had 40 percent approvals in the third year. Nixon had 51 percent and the elder Bush 64 percent.

Joe Biden's Presidential Job Approval Ratings -- Historical Comparisons

President	% Approve	Polling dates
Average for U.S. presidents	53	1938-2023
Average for elected presidents' 12th quarter	53	various
Other elected presidents in October of third year		
Donald Trump	40	Oct 2019
Barack Obama	41	Oct 2011
George W. Bush	55	Oct 2003
Bill Clinton	48	Oct 1995
George H.W. Bush	64	Oct 1991
Ronald Reagan	47	Oct 1983
Jimmy Carter	31	Oct 1979
Richard Nixon	51	Oct 1971
John Kennedy	58	Oct 1963
Dwight Eisenhower	n/a	Oct 1955

GALLUP

What can Yellen do to get Joe Biden re-elected? She can support the US economy!

We don't know what's going on between the White House and the Fed. Maybe they are all in sync or maybe Powell is under the same pressure as he was under Donald Trump. History will tell.

But what we do know is that the Fed is committed to keeping rates high for a long time. But as we have also noted, expectations of a new rate hike were too high before the last Fed meeting. With the statement from the meeting Powell gave the bond market a reason to buy bonds. Expectations have now come down and the outlook for rates bonds is more negative.

However, the big move in the bond market came from the US Treasury's latest report on how much it will divest in the coming quarters. They kept the sale of bonds to a lower volume than expected, but also shifted the mix to a higher degree of bills. This is the same as shifting from long debt instruments to very short debt instruments.

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From a market perspective, that gave a huge private demand in buying bonds, which triggered much lower rates. This can be seen in the chart for 10-year US Treasury yields.



Yellen vs. Powell – who will win?

10-year US Treasury yields break down – good for the stock market



By shifting to shorter-term bills with maturities of four weeks to one year, Yellen has moved the entire bond market and broken the uptrend for rates. However, a higher proportion of short-term bills means that the US government is more vulnerable to runs on the government at the same time as the budget deficit increases.

We don't know if Yellen had an agreement with Powell before the move. But what we do know is that Yellen is not sticking to the script as Treasury Secretary. She is now acting as a semi-president of the Fed...

For the stock market and all other asset classes, the move has dramatically improved the ability to raise debt. Let us see how long this trend can continue. If nothing new changes the scene, we may have already started the Christmas rally for the year. But one step at a time...



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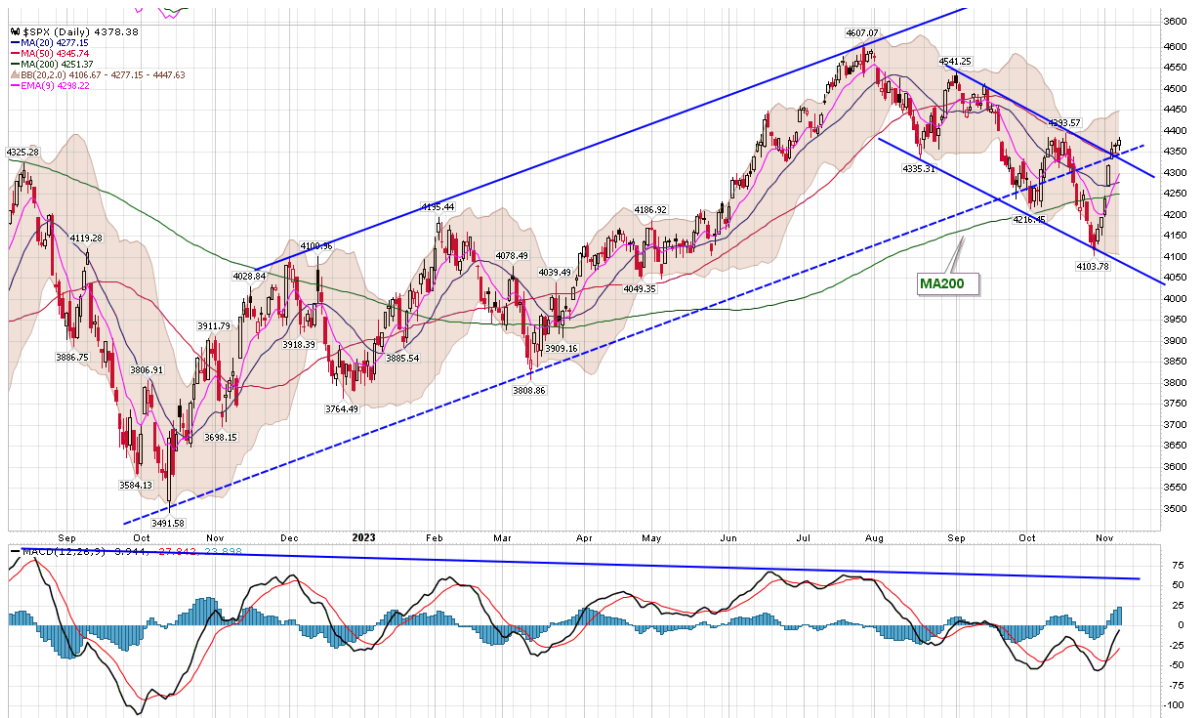


After three waves, the 10-year Treasury yield may have peaked at 5%. Let us see how far it can go. The lower, the better for the stock market.

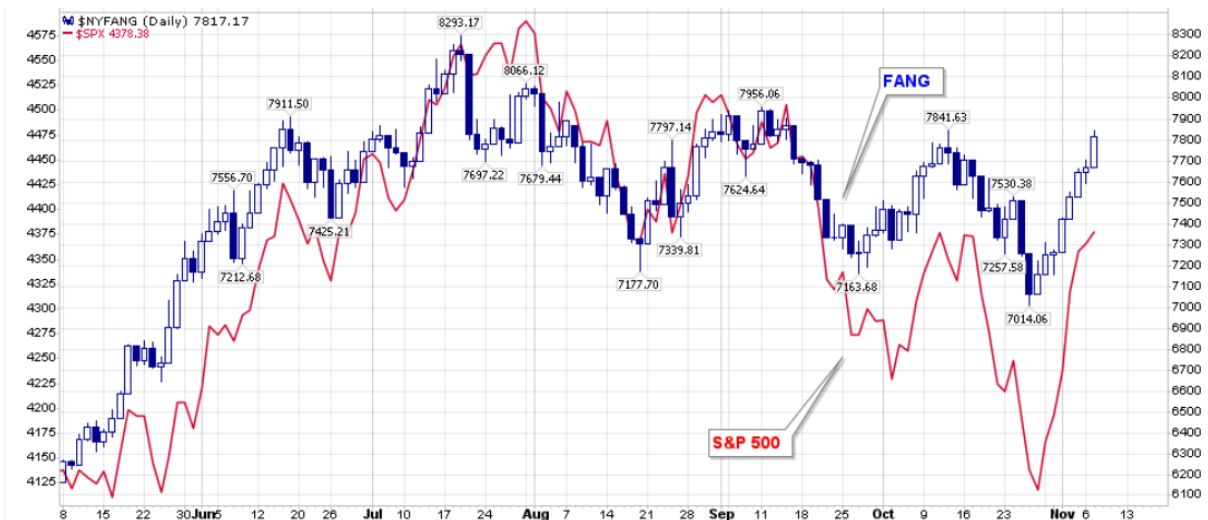


On the daily chart you can see that the 61.8% Fibonacci is just below. This could be the next magnet and resistance. We would not be surprised to see a move below it as there are many asset managers who need to cover short calls.

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The S&P 500 has broken above the falling trend line and is now back in positive territory. Let us see how far it can go.



The FANG stocks are leading the way again, generally outperforming the S&P 500. Microsoft is one stock that is super-hot again.

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In a good sign for the broader market, Apple broke above its resistance line yesterday. Apple's report was better than expected, but the gloomy outlook led to a sell-off at the time of the report. But with the macro climate changing, Apple is now back on track.



Emerging markets are benefiting hugely from lower interest rates and a weaker USD, leading to a strong stock rally outside the US.

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The German DAX is breaking up. However, it is struggling with MA 50 for now.



It is also good for the market that oil continues to fall, even closing below MA200 yesterday. Has Saudi Arabia abandoned its plan to raise oil prices? Could it be the US that has convinced its close partner to save the economy?

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This is perhaps the most important chart. It is the HYG, which reflects the temperature of the high yield, US junk bond market. It is the best measure of risk in the market. If it can break above the resistance line, that is a huge buy signal. But if it only goes down from here, it is a sign that the whole Yellen outbreak is a false signal. Watch this closely folks.

Happy trading!

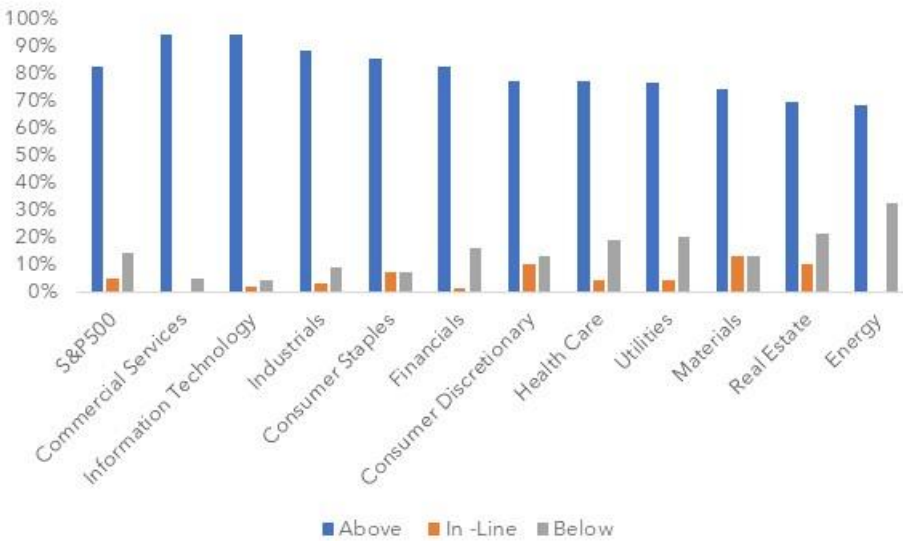
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Q3 2023 Earnings season

S&P500 stocks in the United States

As of Friday 3 November, around 405 S&P500 companies have reported their third quarter results. 82% of S&P companies have reported a positive EPS surprise, while 62% have reported a positive revenue surprise. For Q4 2023, 48 S&P500 companies have issued negative EPS guidance and 27 companies have issued positive EPS guidance.

Comparing the eleven S&P500 sectors, Commercial Services is now tied with Information Technology at the top of the EPS surprise list, with 94% of Q3 2023 EPS beating expectations. Industrials have gained ground and are now in third place, with 88% of Q3 2023 EPS beating expectations. The worst performing sectors in terms of Q3 2023 earnings surprises are Materials, Real Estate and Energy with 74%, 69% and 68% of their Q3 EPS beating expectations respectively.



Source: Factset Earnings Insight.

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The table below shows 33 major US companies that reported quarterly results last week, along with the actual and expected EPS, the percentage deviation, and the post-announcement price movement. The average EPS surprise is 8.6% and the median is 5.4% for 111 reporting companies since 12 October. The post-announcement price movement for US companies is 0.3% on average and minus 0.1% on median for 111 large US companies since 12 October.

<u>Company</u>	<u>Report Date</u>	<u>EPS estimate</u>	<u>EPS reported</u>	<u>Surprise</u>	<u>Price Change</u>
Humana	01-Nov-23	7,15	7,78	8,8%	-6,6%
CVS Health	01-Nov-23	2,13	2,21	3,8%	-0,4%
Qualcomm	01-Nov-23	1,92	2,02	5,2%	5,6%
Paypal	01-Nov-23	1,22	1,30	6,6%	6,0%
Kraft Heinz Company	01-Nov-23	0,66	0,72	9,1%	2,4%
Metlife	01-Nov-23	1,99	1,97	-1,0%	-1,0%
The Williams Companies	01-Nov-23	0,40	0,45	12,5%	2,6%
American International Group	01-Nov-23	1,55	1,61	3,9%	4,0%
Aflac	01-Nov-23	1,44	1,84	27,8%	2,7%
Apple	02-Nov-23	1,39	1,46	5,0%	0,8%
Starbucks	02-Nov-23	0,97	1,06	9,3%	9,5%
The Southern Company	02-Nov-23	1,32	1,42	7,6%	2,5%
Shopify	02-Nov-23	0,15	0,24	60,0%	22,4%
Duke Energy	02-Nov-23	1,92	1,94	1,0%	0,4%
Cigna Group	02-Nov-23	6,66	6,77	1,7%	3,1%
ConocoPhillips	02-Nov-23	2,04	2,16	5,9%	4,6%
EOG Resources	02-Nov-23	2,95	3,44	16,6%	5,3%
Cummins	02-Nov-23	4,63	4,73	2,2%	-0,1%
Regeneron Pharmaceuticals	02-Nov-23	10,80	11,59	7,3%	3,5%
Bookings Holdings	02-Nov-23	67,86	72,32	6,6%	1,0%
Zoetis	02-Nov-23	1,35	1,36	0,7%	6,3%
Parker Hanifinn	02-Nov-23	5,33	5,96	11,8%	9,2%
Pioneer Natural Resources	02-Nov-23	5,53	5,83	5,4%	2,8%
Stryker	02-Nov-23	2,44	2,46	0,8%	0,2%
Marriot International	02-Nov-23	2,10	2,11	0,5%	-1,6%
Monster Beverage	02-Nov-23	0,40	0,41	2,5%	8,7%
Sempra Energy	03-Nov-23	1,01	1,08	6,9%	2,3%
Vertex Pharmaceuticals	06-Nov-23	3,92	4,08	4,1%	-2,1%
NXP Semiconductors	06-Nov-23	3,58	3,70	3,4%	0,7%
Gilead Sciences	07-Nov-23	1,91	2,29	19,9%	-1,7%
Occidental Petroleum	07-Nov-23	0,89	1,18	32,6%	1,0%
Emerson Electric Co	07-Nov-23	1,30	1,29	-0,8%	-7,4%
Air Products and Chemicals	07-Nov-23	3,11	3,15	1,3%	-12,7%
Average (including interim reports since 12 October 2023)				8,6%	0,3%
Median (including interim reports since 12 October 2023)				5,4%	-0,1%

Source: Zacks Research

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OMX stocks in Sweden

Only five additional OMX companies for which consensus estimates are available reported their Q3 2023 figures last week. As of Tuesday 7 November, 89 OMX companies for which consensus estimates are available have reported their third-quarter results. Of these, 67% of companies have delivered positive earnings surprises, while 44% of companies have reported higher-than-expected revenues. Only four of thirteen (31%) had a higher-than-anticipated order intake.

The table below shows the five OMX-listed companies that reported their Q3 2023 results last week, with a percentage deviation in terms of earnings, sales and, in one case, order intake compared to consensus expectations.

Company	Date	Result			Revenues			Order Intake		
		Better	In line	Worse	Better	In line	Worse	Better	Worse	
Skanska	01-Nov			-66,7%			-3,5%		-19,1%	
Lunding Mining	01-Nov			-8,3%	4,6%					
Medicover	03-Nov	4,2%			3,0%					
Boozt	07-Nov	98,2%			3,6%					
Cibus	07-Nov	33,3%					-0,7%			
NCAB	07-Nov			-10,9%			-5,5%			
Sinch	07-Nov	2,5%					-2,6%			
Storskogen	07-Nov	3,7%			3,9%					
Securitas	07-Nov	0,4%					-1,2%			
Average (since 27 Sep)		11,2%	0,0%	-13,8%	3,1%	0,0%	-3,0%	9,1%	-6,5%	

Source: www.avanza.se, Nyhetsbyrån Direkt.

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Week Ahead

Reports on Wednesday, 8 November: Bioarctic, Byggfakta, Concentric, Karnov, Stendörren, Lundbeck, Mandatum, Mowi, Pandora, Royal Unibrew (operational update), Sampo, Veidekke, Vestas, Bayer, Commerzbank, Continental, Credit Agricole, GEA, Schaeffler, Voestalpine, Honda Motor, Disney, Polestar, Suncor Energy and Twilio.

The day begins with German CPI for October at 8.00 CET. This will be followed a few hours later by Eurozone household expectations and retail sales, both for September. From the United States, September wholesale inventories and weekly oil inventories (DOE) are due.

Reports and events on Thursday, 9 November: Meko, Bure, Astra Zeneca, Camurus, Hufvudstaden, K-Fastigheter, Alm Equity, Surgical Science, DNO, FLSmidth, Coloplast, Alm Brand, Salmar, Torm, Zealand Pharma, Arcelor Mittal, Canopy Growth, Deutsche Telekom, and Global Fashion Group. NCC hosts a Capital Markets Day.

Japan's current account balance for September is due at 0.50 CET. The Bank of Japan will publish the minutes of its 31 October meeting. From the United Kingdom, the RICS House Price Index for October is due. China will release CPI and PPI for October. From the United States, we get the weekly initial jobless claims data.

Reports on Friday, 10 November: BTS, GN Store Nord, Airbus Group, Telefonica, Volkswagen, and Bank of China.

Statistics Sweden publishes the Production Value Index, Household Consumption, and Industrial Orders for September at 8.00 CET. From the United Kingdom the Q3 GDP and September industrial production are due at the same time. The US Michigan index for November will be released at 16.00 CET.

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Reports on Monday, 13 November: SBB, Infineon Technologies and Mitsubishi Financial Group.

On Monday, Opec will publish a monthly oil report. From the United States, we get NY Fed inflation expectations at 17.00 CET.

Reports on Tuesday, 14 November: Africa Oil, Schouw & Co, Foxconn, Vodafone, Imperial Brands, Home Depot, and Mitsubishi. Alleima and Sweco organise Capital Market Days.

The morning in Europe starts with Sweden and Spain's CPI for October and the UK's unemployment rate for September. From the Eurozone we get employment and GDP for Q3 2023. The IEA will publish its monthly oil report. Germany's ZEW index for November is also due. From the United States, we get October CPI, weekly Redbook retail data and weekly oil inventories (API).

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Valuation Tables, Swedish Equities

Lowest P/E-ratio

Bolag	Price	P/E NTM
Dustin Group AB (publ)	13,3	2,8x
Starbreeze AB (publ)	0,4	2,9x
Netel Holding AB (publ)	8,9	2,9x
Tethys Oil AB (publ)	51,8	3,4x
Transtema Group AB	11,5	3,9x
Bonava AB (publ)	18,1	4,1x
Embracer Group AB (publ)	19,3	4,3x
Stillfront Group AB (publ)	11,9	4,3x
Eolus Vind AB (publ)	83,1	4,7x
Intrum AB (publ)	59,3	4,9x

Source: S&P Capital IQ/Carlsquare

Highest Yield

Bolag	Price	Yield, %
Samhällsbyggnadsbolaget i Norden AB (publ)	3,5	34,5
Aktiebolaget Fastator (publ)	2,6	30,2
Dustin Group AB (publ)	13,3	18,0
Swedbank AB (publ)	182,4	10,8
Tele2 AB (publ)	81,7	10,4
Nordic Paper Holding AB (publ)	39,6	9,4
AB Volvo (publ)	220,0	9,4
Cibus Nordic Real Estate AB (publ)	117,0	9,0
SSAB AB (publ)	71,2	8,9
Coor Service Management Holding AB	38,5	8,8

Source: S&P Capital IQ/Carlsquare

Lowest priced Net Asset Value

Bolag	Price	P/B
Oscar Properties Holding AB (publ)	0,3	0,06x
Aktiebolaget Fastator (publ)	2,6	0,14x
Mendus AB (publ)	0,4	0,15x
Moberg Pharma AB (publ)	8,0	0,15x
Cint Group AB (publ)	7,6	0,17x
K2A Knaust & Andersson Fastighete	5,3	0,20x
Immunovia AB (publ)	0,6	0,21x
Samhällsbyggnadsbolaget i Norden	3,5	0,21x
NGS Group AB (publ)	5,7	0,22x
VNV Global AB (publ)	15,8	0,27x

Source: S&P Capital IQ/Carlsquare

Lowest priced NAV on a debt-free basis

Bolag	Price	EV/tB
Dustin Group AB (publ)	13,3	0,27x
Alligator Bioscience AB (publ)	0,4	0,33x
Nivika Fastigheter AB (publ)	27,2	0,41x
Hoist Finance AB (publ)	31,2	0,45x
BICO Group AB (publ)	40,0	0,48x
FastPartner AB (publ)	42,4	0,58x
BE Group AB (publ)	76,1	0,58x
Fingerprint Cards AB (publ)	1,0	0,60x
Byggmax Group AB (publ)	28,5	0,66x
Bulten AB (publ)	62,5	0,68x

Source: S&P Capital IQ/Carlsquare

Lowest priced earnings growth

Bolag	Price	PEG
Volvo Car AB (publ.)	40,0	0,12x
Nordisk Bergteknik AB (publ)	14,8	0,12x
Telia Company AB (publ)	24,6	0,23x
Scandic Hotels Group AB (publ)	37,8	0,28x
TF Bank AB (publ)	147,0	0,28x
New Wave Group AB (publ)	81,6	0,30x
Dustin Group AB (publ)	13,3	0,34x
Kindred Group plc	91,4	0,35x
Embracer Group AB (publ)	19,3	0,43x
Sinch AB (publ)	22,1	0,44x

Source: S&P Capital IQ/Carlsquare

Top priced earnings growth

Bolag	Price	PEG
Nolato AB (publ)	48,4	31,9x
Knowit AB (publ)	149,6	18,1x
Wallenstam AB (publ)	41,1	6,1x
Inwido AB (publ)	116,9	3,9x
Fastighets AB Balder (publ)	54,5	3,8x
Biotage AB (publ)	122,0	3,6x
Axfood AB (publ)	251,7	3,0x
Cibus Nordic Real Estate AB (publ)	117,0	2,8x
Thule Group AB (publ)	258,9	2,5x
CellaVision AB (publ)	154,4	2,5x

Source: S&P Capital IQ/Carlsquare

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