

 **Trader Oasis – Mid-Morning Wednesday, December 7, 2022**

1 message

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## Mid-Morning

**Wednesday, December 7, 2022**

| Index          | Up/Down | %     | Last   |
|----------------|---------|-------|--------|
| DJ Industrials | 120.93  | 0.36% | 33,717 |
| S&P 500        | 1.97    | 0.05% | 3,943  |
| Nasdaq         | -61.80  | 0.56% | 10,953 |
| Russell 2000   | -3.46   | 0.19% | 1,809  |

U.S. stocks are mixed as the S&P 500 looks to snap its 4-day losing streak, rising early amid strength in energy, healthcare, utilities, REITs, staples – while technology, discretionary, and communications remain the laggards. Weaker trade data overnight in China renewed focus of slowing global growth, while investors also fear a more aggressive Fed outlook when they are expected to raise interest rates by another 50-bps next Wednesday. The Fed has already risen rates by 75-bps for 4 consecutive sessions in an unprecedented move to slow raging inflation. Latest data points have shown a deceleration in inflation but remains about 3x higher than their tgt of 2%. At the same time, jobs data remains strong, and manufacturing results improving showing the economy remains strong. But

investors fear the Fed could take rates above 5% in 2023, hurting the economy and slow growth. China's Covid-19 restrictions and waning global demand for goods are throttling its economy, with exports falling at the steepest pace in more than two years in November. In central bank news, the Bank of Canada raised its policy rate by 50 basis points on Wednesday to 4.25% and India lifted the Repo rate 35 basis points to 6.25%.

## Economic Data

- U.S. Q3 non-farm productivity revised to +0.8% (consensus +0.6%), prev +0.3%; U.S. Q3 non-farm unit labor costs revised to +2.4% (consensus +3.1%), prev +3.5%

| Macro        | Up/Down | Last     |
|--------------|---------|----------|
| WTI Crude    | 0.27    | 74.52    |
| Brent        | 0.44    | 79.79    |
| Gold         | 11.50   | 1,793.90 |
| EUR/USD      | 0.0043  | 1.0513   |
| JPY/USD      | -0.23   | 136.72   |
| 10-Year Note | -0.057  | 3.59%    |

## Sector Movers Today

- Media, Internet; **SHOP** was upgraded at CIBC, but downgraded at Wolfe Research, along with **CHWY** ahead of earnings; **SFIX** posted slightly lower than expected revenue results but better than expected adjusted EBITDA results, reflecting ongoing cost-savings efforts; **PINS** announced a cooperation agreement with Elliott, and appointed Marc Steinberg (a senior portfolio manager at Elliott) to Pinterest's board; **SKIL** outperformed consensus revenue and adj. EBITDA (\$139M / \$28M vs. \$136M / \$26M estimates) but missed on bookings (\$133M vs. \$136M estimate); **MSGE** provides update on potential spin-off transaction; now exploring a potential

spin-off of its traditional live entertainment business

- Leisure & Travel: Wolfe Research downgraded **BKNG**, **EXPE**, **TRIP** saying travel demand is likely to moderate amidst macro slowdown in '23 and consensus doesn't appear to reflect the magnitude accurately, and many online travel co's have ventured into less efficient customer acquisition channels over the last 12-18 months and have seen unit economics erode vs. '19; **ABNB** downgraded to Underweight and \$80 tgt at Morgan Stanley saying supply deep dive speaks to slowing listings growth, occupancy headwinds, and lower room night demand
- Housing & Building Products: homebuilder **TOL** posts strong Q4 EPS \$5.63 vs. est. \$3.96 and revs +22% y/y to \$3.71B vs. est. \$3.22B while Q4 net signed contract value was \$1.3B, down 56% y/y, contracted homes were 1,186, down -60% y/y, backlog value was \$8.9 billion, down -7% y/y; home improvement retailer **LOW** issues guidance at analyst day; announced a new \$15 billion share buyback and affirmed its FY outlook; in home furnishing, **LOVE** reports Q3 net loss of \$8.4M vs net income of \$2.8M last year and Q3 sales up 15.5% at \$134.8M y/y; weekly MBA mortgage data showed applications index falls 1.9% to 204.2 in latest week, purchase index falls 3.0 pct to 175.5% and refinancing index rises 4.7% to 340.8 while 30-yr falls 8-bps to 6.41%

## Stock GAINERS

- **ASO** +11%; boosted its profit and adjusted earnings outlook for 2022 but warned that comparable sales will decline at least 5%
- **CPB** +4%; boosted its outlook after sales and profit rose at double-digit rates in Q1 as the company kept raising prices to offset rising costs
- **LOW** +1%; issues guidance at analyst day; announced a new \$15 billion share buyback and affirmed its FY outlook

- **MDB** +17%; standout to the upside after as EPS of \$0.23 and revs \$333.6M tops est. \$0.17/\$304.9M), up 47% y/y, a deceleration from 53% last quarter, with strong Atlas revenue growth of 61%), but down from 73% growth last quarter
- **REPL** +14%; said it signed a deal to work with Roche Holding AG to advance Replimune RP2/3 program in colorectal cancer and hepatocellular carcinoma
- **RXDX** +184%; positive mid-stage data testing antibody PRA023 in ulcerative colitis and Crohn's disease treatment trials as both studies showed strong efficacy and favorable safety results
- **STT** +9%; raises stock buyback by another \$500M to a total of \$1.5B
- **TOL** +4%; posts strong Q4 EPS \$5.63 vs. est. \$3.96 and revs +22% y/y to \$3.71B vs. est. \$3.22B while Q4 net signed contract value was \$1.3B, down 56% y/y, contracted homes were 1,186, down -60% y/y

## Stock LAGGARDS

- **ABNB** -5%; downgraded to Underweight and \$80 tgt at Morgan Stanley saying supply deep dive speaks to slowing listings growth, occupancy headwinds, and lower room night demand
- **BFB** -7%; shares fall on Q2 EPS miss of \$0.49 vs. est. \$0.55 and in-line sales while the cost of sales rose 19% - expects fiscal 2023 organic sales growth in the high single-digit range
- **CVNA** -45%; as Bloomberg reported that some of its largest creditors, including Apollo and Pimco, signed a cooperation agreement to prevent the creditor fights that have complicated other debt restructurings in recent years (Wedbush also downgraded to Underperform with \$1 tgt)
- **MOS** -2%; said it is temporarily cutting production at its Colonsay potash mine in Saskatchewan as farmer demand wanes, sending prices down

- **OLLI** -9%; as lowers year EPS, revs, and comp sales growth views after posting Q3 EPS/sales miss
- **SI** -6%; more weakness in crypto sector with Bitcoin holding below \$17,000
- **SWBI** -14%; as Q2 EPS \$0.26 misses est. \$0.40; Q2 revs \$121M vs. est. \$145.41M
- **UNFI** -13%; posted a mixed quarter as EPS of \$1.13 missed the \$1.17 est. while net Sales of \$7.53B topped the \$7.46B estimate on in-line adj EBITDA \$207M

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