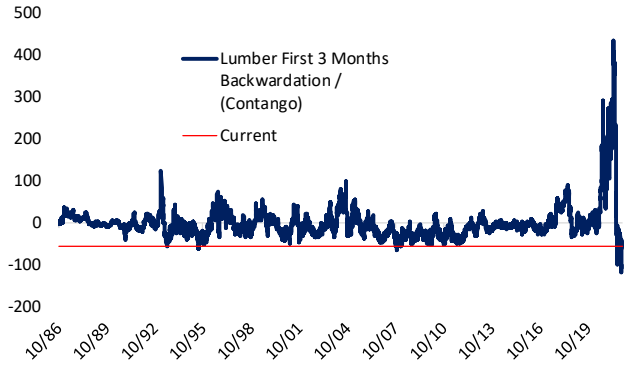
BESPOKE Investment Group
The Closer
November 11, 2021

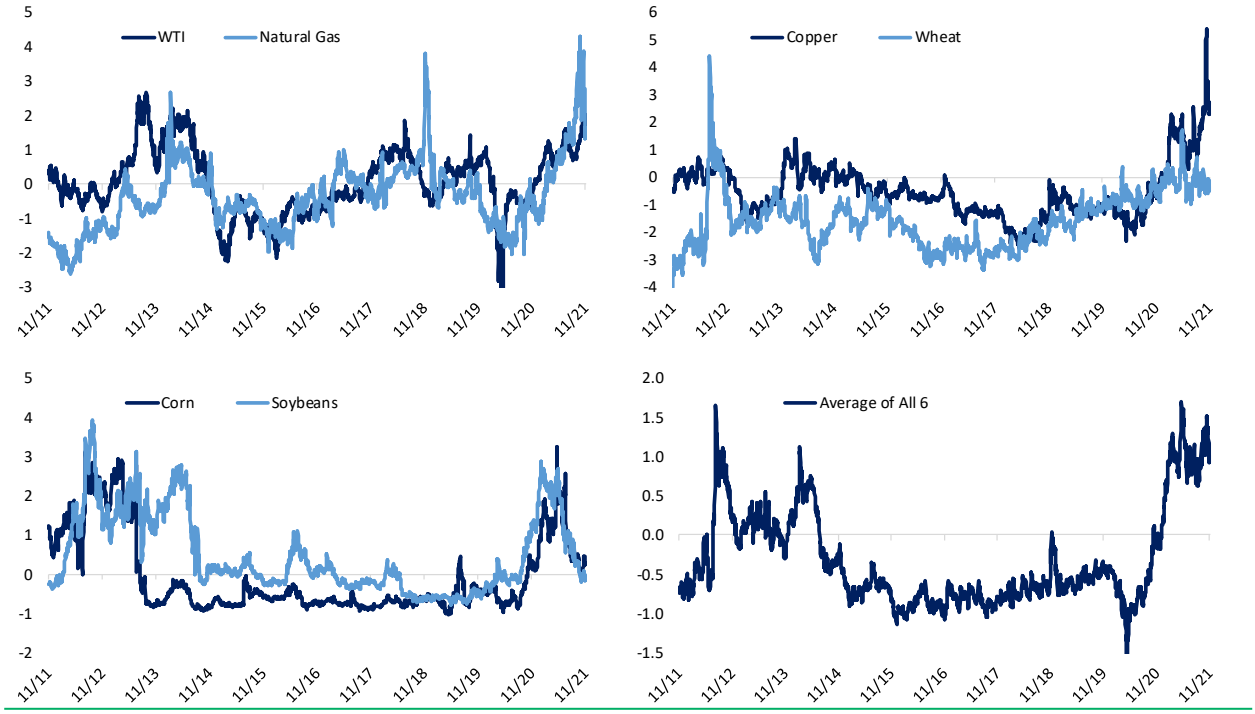
Commodity Term Structure, Baskets, Job Openings, Treasury Buyers

- Commodity markets have rationalized a bit in recent days but prices are still very high.
- One of the early canaries in the coal mine for the huge surge in commodities we saw this year was lumber, which has given back virtually all of its YTD gains.
- Even more interesting is the degree to which lumber has moved from extreme backwardation (a signal of tight spot markets creating an incentive to sell inventories into the spot market and creating a roll yield for futures or deferred deliveries) into extremely steep contango (a signal of loose spot markets creating an incentive to buy inventories out of the spot market and creating a roll cost for futures or deferred deliveries).
- Energy term structures remain very steep, and the same is true for copper, but the steep backwardation (incentive to supply tight spot markets) in ag futures has reverted to the mean; on average across six major commodities, the market is still dramatically backwardated, but has started to come under some pressure.
- The normalizing grains term structure and what appear to be settling energy/metals term structures are an early sign commodity markets are starting to loosen up.

Lumber: Boom & Bust Taken To Extremes



Other Commodities Remain In Backwardation…For The Most Part (Z-Score, Re-Centered To 0 = Flat Term Structure, 12m Fwd)



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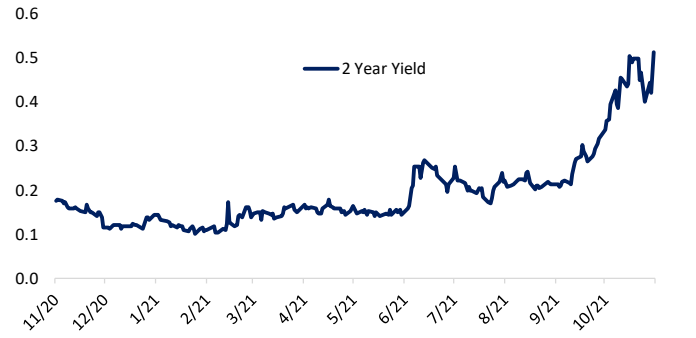
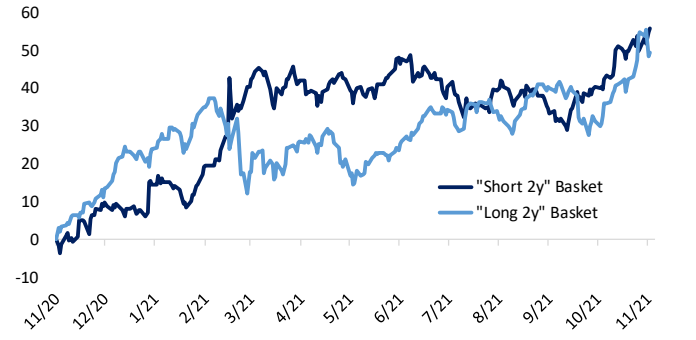
Two Year Yield (%)



Total Return: Past Year (%)



"Short 2y" Basket: 15 Most Positive Correl. To 2y Yield Change

Ticker	Name	Sector	Mkt Cap ($ bn)	Correlation
CRAI	CRA International	Industrials	0.72	0.22
TSC	TriState Capital	Financials	1.00	0.22
BAC	Bank of America	Financials	386.53	0.20
AMAL	Amalgamated Financial	Financials	0.61	0.19
SCHW	Charles Schwab	Financials	152.67	0.17
BK	Bank of New York Mellon	Financials	48.86	0.17
CXW	CoreCivic	Industrials	1.28	0.16
WU	Western Union	Tech	7.46	0.16
CDXC	ChromaDex Corp	Health Care	0.42	0.15
RLGT	Radiant Logistics	Industrials	0.41	0.15
AMBC	Ambac Financial	Financials	0.74	0.15
AHCO	AdaptHealth	Health Care	3.33	0.15
ABTX	Allegiance Bancshares	Financials	0.86	0.15
CRI	Carter's	Cons. Discret.	4.56	0.14
NBHC	National Bank	Financials	1.39	0.14

"Long 2y" Basket: 15 Most Negative Correl. To 2y Yield Change

Ticker	Name	Sector	Mkt Cap ($ bn)	Correlation
VRSN	VeriSign	Tech	25.74	-0.22
ETSY	Etsy	Cons. Discret.	31.52	-0.22
TRUP	Trupanion	Financials	4.89	-0.23
AVGO	Broadcom	Tech	225.88	-0.23
KLAC	KLA	Tech	61.31	-0.23
BX	Blackstone	Financials	167.84	-0.23
CDNS	Cadence Design Systems	Tech	49.19	-0.24
LPRO	Open Lending	Financials	3.47	-0.24
EVBG	Everbridge	Tech	5.33	-0.24
RCM	R1 RCM	Health Care	7.02	-0.24
ANET	Arista Networks	Tech	40.11	-0.24
LPSN	LivePerson	Tech	3.48	-0.25
SNPS	Synopsys	Tech	51.49	-0.26
QTWO	Q2	Tech	4.80	-0.27
ANSS	ANSYS	Tech	34.26	-0.30

- With short-term yields rising, today we created two baskets of stocks that have recently demonstrated either positive or negative correlations to the two year yield.
- While the bond market was closed today, that shortest-term coupon closed at new post-COVID yield highs yesterday as markets priced a more aggressive path for Fed hiking amidst high inflation.
- We screened the Russell 3000 for stocks with a very positive and very negative correlation of daily price changes to daily two year yield changes over the past year.
- The performance of the two baskets is shown at left.
- Notably, while stocks positively correlated to two year yield changes ("short 2y", or equivalent to shorting 2 year notes) outperformed over the past year at a portfolio level, negatively correlated stocks ("long 2y", or equivalent to owning 2 year notes) have also performed *very* well.
- We show lists of the two stocks at left, with 15 names in each basket.
- One major pattern: while the "short 2y" basket is loaded with financials, the "long 2y" basket is stuffed with Tech names.
- Since stocks should *generally* move inverse to bonds in price terms, it shouldn't be surprising that the names with positive correlation to two year yield changes have lower absolute correlation than stocks with negative correlation.
- This exercise is also helpful for top-down portfolio construction; clearly, any overweight of financials is a bet on higher short-term yields and vice-versa for tech.

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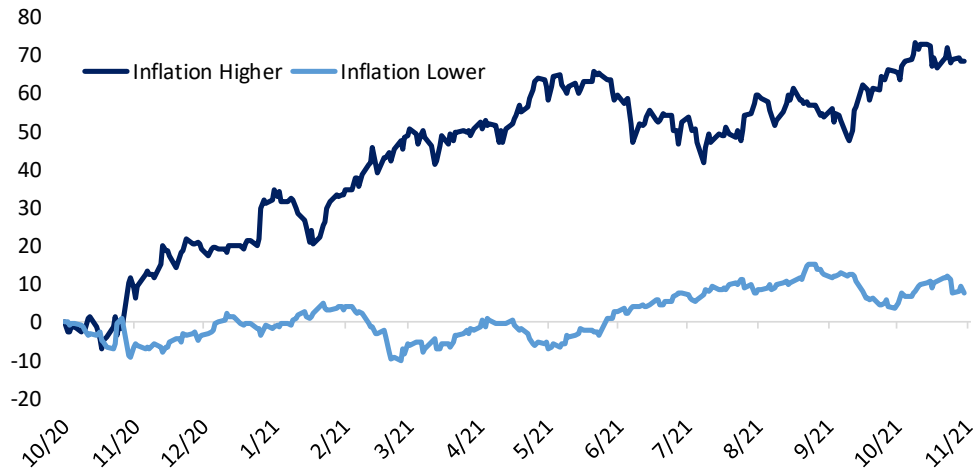
- We put together a similar basket of stocks that are inflation-sensitive in both directions about a month ago (**link**).
- Since that note, the "inflation higher" basket has outperformed the "inflation lower" basket modestly, by about 150 bps.
- Below we refresh performance data for these two baskets (which are rebalanced to equal weights monthly). *Past performance is no guarantee of future results.*
- We also provide the names in each as a starting point for further research into stocks that may be outperformers if inflation concerns continue to swirl; alternatively, the "inflation lower" basket might be attractive as a way to fade inflation fears.

Inflation Higher		Inflation Lower	
WLK	Westlake Chemical	NCNO	nCino
HUN	Huntsman	TEAM	Atlassian
HBAN	Huntington Bancshares	K	Kellogg
LNC	Lincoln National	PSA	Public Storage
EMN	Eastman Chemical	MKTX	MarketAxess Holdings
LPLA	LPL Financial Holdings	AMT	American Tower
PRU	Prudential Financial	MASI	Masimo
PNC	PNC Financial Services	FIVN	Five9
BAC	Bank of America	CCI	Crown Castle
COF	Capital One Financial	ZS	Zscaler
STT	State Street	OKTA	Okta
AIG	American International	PTON	Peloton Interactive
NTRS	Northern Trust	QDEL	Quidel
SCHW	Charles Schwab	BIIB	Biogen
MET	MetLife	CLX	Clorox
CFG	Citizens Financial	QGEN	QIAGEN
MTB	M&T Bank	SBAC	SBA Communications
RJF	Raymond James Financial	EQIX	Equinix
LYB	LyondellBasell Industries	DLR	Digital Realty Trust
DOW	Dow	COR	CoreSite Realty

Total Return: Past Year (%)



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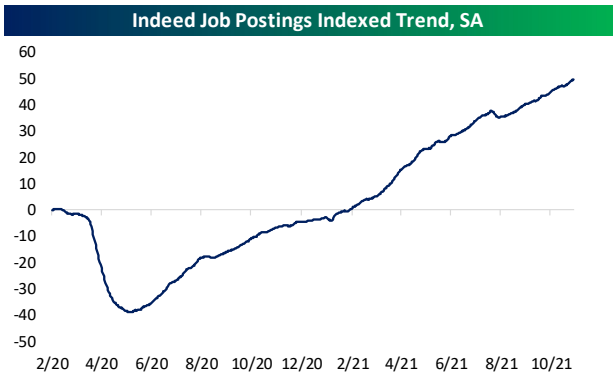

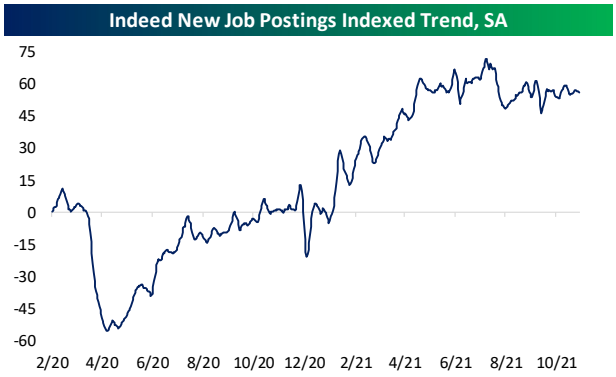

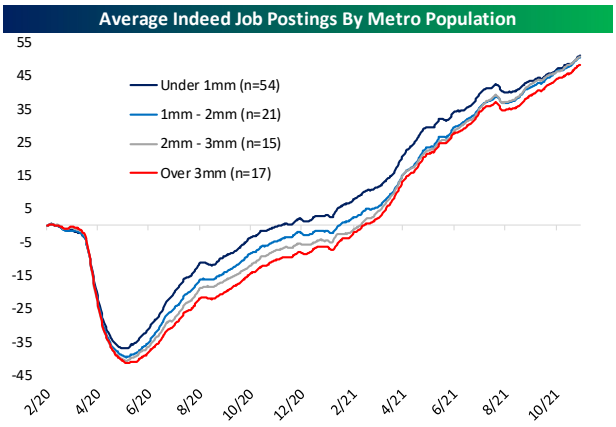

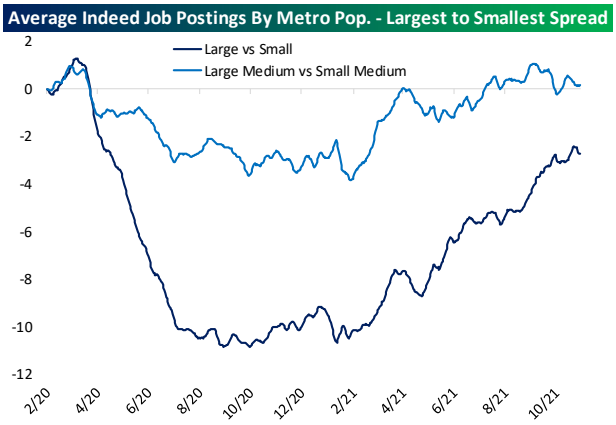

** Seasonally adjusted 7-day moving average of job postings on Indeed.com, indexed to February 1st, 2020; Average for MSAs grouped by population.*

- While there was no economic data out today on account of the Veteran's Day holiday, releases resume tomorrow including the JOLTS report for the month of September.
- The most recent data from Indeed.com published last week was slightly more timely through the end of October.
- Job postings by their count are now roughly 50% above the pre-pandemic (February 2020) baseline level.
- The rate at which new postings are being posted to the site also remain well above pre-pandemic levels, but those have for the time being peaked.
- Currently, new postings are running at a 56.1% clip versus a high of more than 70% back in July.
- The company also provides a breakdown by metro-statistical area.
- Over the course of the pandemic, metros with smaller populations have generally outpaced the growth in job posting for larger metros.
- While that dynamic continues to be the case, large metros have continued to gain ground on smaller ones.
- Looking at the middle range of metros, postings growth has been much closer to one another.
- Over the past few months, cities with populations between 2 and 3 million have seen postings growth higher than that of cities with populations of 1 and 2 million, but currently the two are essentially dead even.

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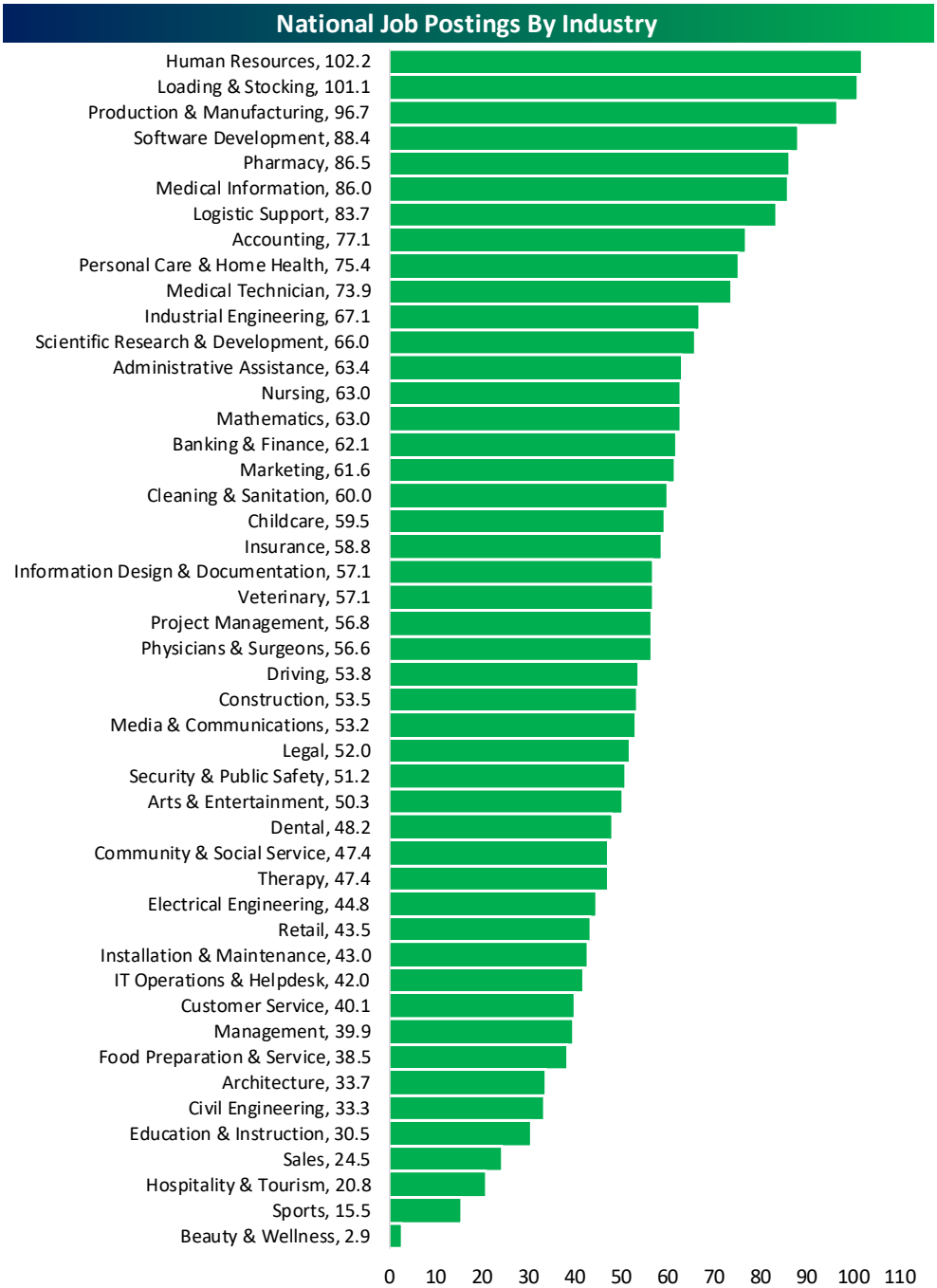
- As for which areas of the economy have seen the largest growth, ironically amidst a labor shortage, human resource positions have seen the largest growth over the course of the pandemic.
- Alongside Loading and Stocking jobs, the number of postings are double what they were in early 2020. Production and Manufacturing, Software Development, Pharmacy, Medical information, and Logistic Support also have seen postings growth at least 80%.
- On the other end of the spectrum, sales and some reopening related industries have seen the least growth.



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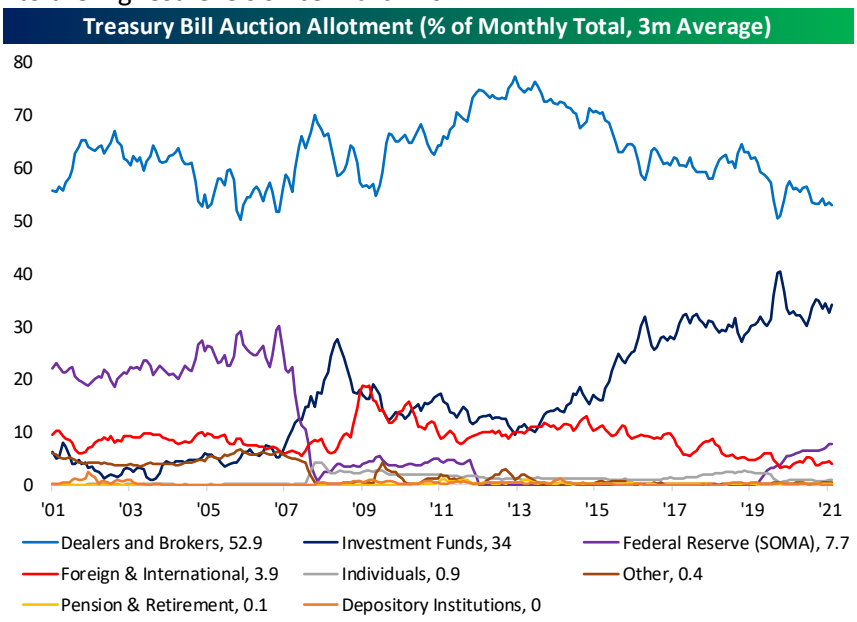
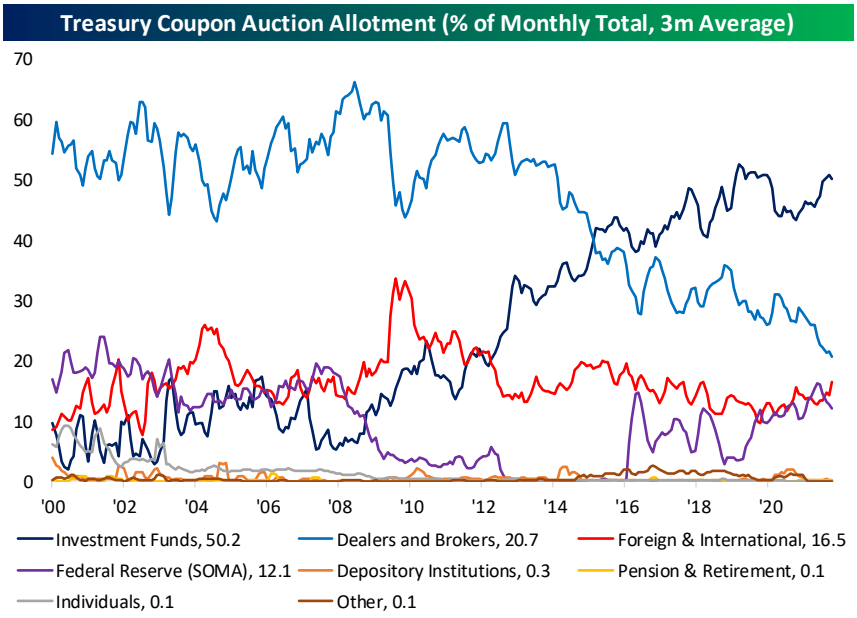
- To give some more color on the topic, below we show data from the Treasury on investor class auction allotments through October.
- As shown, on a rolling 3 month average basis, for bill sales dealer and brokers remain the largest investor class but their share has fallen over the past decade as is also the case in coupon auctions.
- In the case of coupons, investment funds are now the largest group and they are a runner up and growing share for bill auctions.
- In today's Morning Lineup, we detailed how Japanese investors have been ramping up purchases of US bonds. Reiterated in this data set, foreign investors have been ramping up purchases over the past year to the highest levels since March 2017.





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The S&P 500 was slightly higher today gaining 6 bps while the NASDAQ and Russell 2,000 outperformed with gains of 0.52% and 0.82%, respectively. Crude oil was lower for a second day in a row finishing the day at $81.20. Precious metals continued to rally as bond yields were higher.

There are a handful of inflation prints overnight including those from South Korea, Spain, and India. The US data slate ramps back up tomorrow after today's holiday. Economic scorecard link.

Don't forget to keep an eye on what the FOMC is saying with our *Fedspeak Monitor* (link) and stay up-to-date with central bank meeting dates with our *Global Central Bank Monitor* (link). These are regularly updated along with our economic scorecard to keep you on top of major developments.

Bespoke Major Asset Class Dashboard

	Asset	Level	Change (bps)	5d Chg	3m Chart
Equity Futs	S&P 500	4645.25	7.0	-59.9	
	Russell	2407.00	74.1	25.8	
	VIX Fut	18.71	-418.3	750.3	
	TSX	1293.90	57.5	103.9	
Trsy Yields	2 Year	51.29	0.0	8.9	
	5 Year	121.60	0.0	10.6	
	10 Year	154.93	0.0	2.3	
	30 Year	189.97	-0.4	-6.3	
Curves/BE	2s10s	103.04	-0.2	-6.7	
	5s30s	68.04	-0.4	-17.0	
	5 Yr BE	309.93	0.0	19.7	
	10 Yr BE	270.66	0.0	13.5	
Eurodollars	Sep '21	97.89	0.5	0.17	
	Dec '21	99.79	-1.0	-0.03	
	Mar '22	99.74	-2.0	-0.05	
	Jun '22	99.54	-4.0	-0.08	

	Asset	Level	Change (bps)	5d Chg	3m Chart
Commodity	Gold	1864.20	86.0	394.2	
	Silver	25.35	233.3	601.8	
	WTI	81.20	-17.2	303.3	
	Copper	439.30	170.2	217.5	
Int'l Equity	Nikkei	29277.86	58.8	-173.4	
	CSI 300	4898.65	160.7	61.4	
	ASX 200	7381.95	-56.5	-62.0	
	STOXX 600	485.29	31.6	43.0	
FX	BBG USD	1172.35	29.3	75.3	
	EURUSD	1.1448	-27.0	-91.7	
	USDJPY	114.07	14.0	27.3	
	EM FX	54.90	20.6	28.5	
Credit	CDX IG	51.37	0.0	1.0	
	iTraxx IG	48.67	0.0	-0.4	
	CDX HY	296.89	0.0	3.8	
	iTraxx HY	246.87	0.1	-2.2	

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Closing Charts & Tweets

Popular Tweets From @bespokeinvest on Twitter

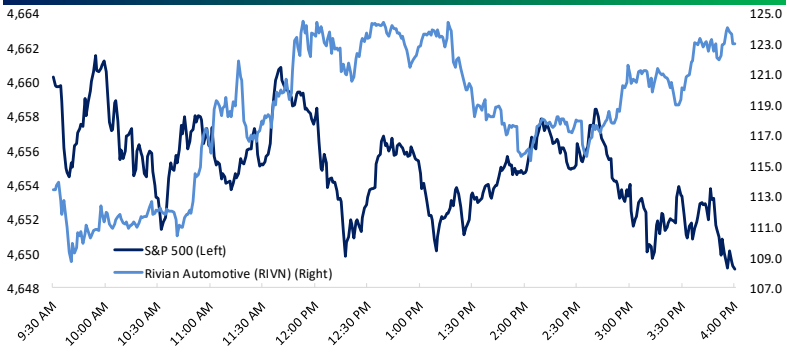
"How do stocks and bonds typically trade the day after they both fall more than 0.75%?" — 8:40

"US index ETFs pulled back from extreme levels but remain overbought after today's declines." — 6:27

S&P 1500 Biggest Movers

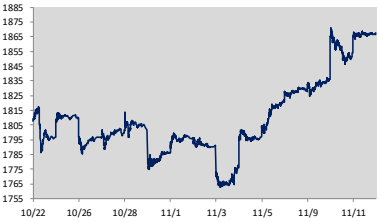
Price (%)				Volume vs Historical Avg (%)			
Most Up		Most Down		Most Up		Most Down	
FOSL	22.69	HAIN	-12.35	FOSL	4502.21	RRX	-75.11
EPC	14.31	DDD	-10.09	HAIN	1070.72	SKX	-74.63
CENX	13.60	ODP	-7.73	DIS	590.08	KRG	-74.59
DGII	10.96	DIS	-7.07	ODP	492.74	SWX	-71.00
SBH	10.09	YETI	-6.39	DDD	492.60	MRK	-69.89
SWN	9.13	IVC	-6.36	MLI	347.23	RGP	-67.89
FCX	9.01	TTEC	-5.43	PDFS	332.24	GWB	-67.75
TPR	8.38	COO	-5.36	MGPI	319.17	CAR	-67.57
ENPH	8.21	TRHC	-5.22	GTY	255.37	NTCT	-67.41
HCI	8.09	OGN	-5.21	DAKT	247.87	SLCA	-67.19
EQT	7.94	THS	-5.18	OGN	244.81	KRA	-66.91
RUN	7.71	SNBR	-4.32	AMPH	220.81	POLY	-66.88
AMEH	7.50	INGN	-4.32	TPR	218.35	SHAK	-66.16
FLGT	7.50	AGYS	-4.28	MCS	212.58	HA	-66.14
MLI	7.35	SGMS	-4.24	INDB	189.68	MAS	-65.57

The Tale of The Tape: S&P 500 (Left) vs Rivian Automotive (RIVN)

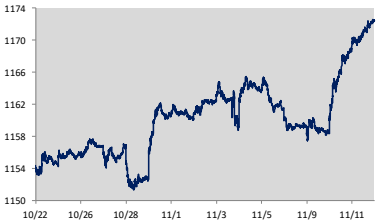


Oil Future: Last 15 Trading Days

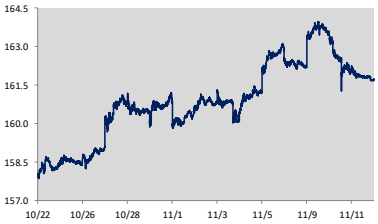
Gold Front Month Future: Last 15 Trading Days



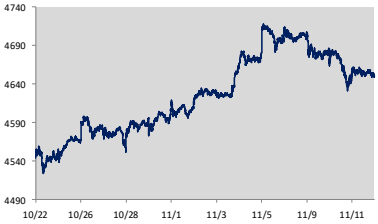
BBG US Dollar Index: Last 15 Trading Days



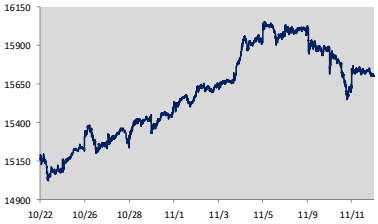
Long Bond Future Intraday: Last 15 Trading Days



S&P 500 Intraday: Last 15 Trading Days



Nasdaq Composite: Last 15 Trading Days



Key ETFs (1 Day % Change)

Ticker	Name	Change	Last 6 Mos
SPY	S&P 500	0.03	
IJH	S&P 400	0.54	
IJR	S&P 600	0.74	
DIA	Dow 30	-0.44	
QQQ	Nasdaq	0.28	
IWB	Russell 1000	0.09	
IWM	Russell 2000	0.80	
XLF	Financials	0.28	
XLB	Materials	0.79	
XLE	Energy	0.38	
XLI	Industrials	-0.42	
XLY	Cons. Cyclical	-0.25	
XLP	Cons. Staples	-0.08	
XLV	Health Care	-0.26	
XLRE	Real Estate	0.04	
XLC	Telecom	-0.20	
XLK	Technology	0.49	
XLU	Utilities	-0.63	
GDX	Gold Miners	2.30	
XME	Metals & Mining	4.30	
XRT	Retail	1.24	
XHB	Homebuilders	0.63	
IYR	US Real Estate	0.21	
KRE	Regional Banks	0.86	
IWD	Russell 1000 Value	0.00	
IWF	Russell 1000 Growth	0.15	
AGG	Total Bond Mkt	-0.19	
TLT	20+ Yr Treasuries	-0.15	
MUB	Muni. Bonds	-0.07	
LQD	Invest. Gr. Bonds	-0.28	
JNK	High Yield Bonds	-0.17	
BKLN	Senior Loan	0.23	
GLD	Gold	0.55	
SLV	Silver	2.06	
USO	Oil	-0.18	
UNG	Natural Gas	4.55	
VT	Total World	0.33	
CWI	World Ex-US	0.73	
VEA	Developed Mkts	0.35	
EEM	Emerging Mkts	1.75	
VGK	Eurozone	0.36	
DXJ	Japan JPY Hdg'd	0.62	
EWZ	Brazil	3.42	
FXI	China	3.82	
EWT	Taiwan	0.53	
EWH	Hong Kong	0.66	
EWW	Mexico	-0.16	

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Bespoke Market Timing Model: 11/11/21

	Current Level				Average S&P 500 Performance (%)		
Sentiment	**Indicator**	**Direction**		**vs Historical**	**One Week**	**Two Weeks**	**One Month**
CBOE Call Volume	1.3	↑	0.1	1.0	0.22	**0.56**	**0.82**
NYSE Up vs Total Volume (%)	51.1	↓	-0.3	0.0	0.24	0.43	0.70
Nasdaq Up vs Total Volume (%)	61.0	↑	0.0	1.5	0.31	**0.45**	0.77
Index vs Equity PC Ratio	2.4	↑	0.1	3.3	0.05	0.28	**0.87**
VIX 50-Day ROC (%)	7.8	↑	0.4	0.1	0.33	0.36	0.42
VIX 10-Day ROC (%)	4.7	↑	0.2	0.1	0.31	0.37	0.71
Investors Intelligence Bullish (%)	56.5	↑	0.3	0.9	**0.01**	**0.10**	**0.10**
Investors Intelligence Bearish (%)	22.3	↑	0.2	-0.2	0.16	0.44	0.76
Inv Intell. Bull Bear Spread	34.2	↑	0.3	0.6	0.09	0.30	0.50
AAII Bullish (%)	48.0	↑	0.7	1.0	**0.01**	**0.09**	0.46
AAII Bearish (%)	24.0	↑	0.2	-0.9	0.11	0.30	**0.36**
AAII Bull Bear Spread	24.0	↑	0.5	1.1	0.14	0.29	0.80
Overall Sentiment		↑	**0.2**	**0.7**	**0.15**	**0.33**	**0.70**
Technical							
S&P 500 10-Day Avg. Spread (%)	-0.2	↓	-1.0	-0.2	**0.34**	0.54	0.70
S&P 500 50-Day Avg. Spread (%)	3.6	↓	-0.3	0.7	0.19	0.44	0.69
S&P 500 200-Day Avg. Spread (%)	9.5	↓	-0.2	0.8	0.29	**0.55**	0.90
S&P 500 Monthly ROC (%)	6.6	↓	-0.2	1.3	0.22	**0.60**	**2.45**
S&P 500 Weekly ROC (%)	-0.6	↓	-1.0	-0.3	**0.29**	0.49	0.56
S&P 500 Quarterly ROC 1 (%)	3.8	↓	-0.2	0.2	0.23	0.39	0.72
Group 10-Day A/D Line	26.0	↓	-0.5	0.3	0.08	0.21	**0.36**
Group 50-Day A/D Line	84.0	↑	0.0	0.2	0.28	0.52	**1.10**
S&P 500 10-Day A/D Line	443.0	↑	0.1	0.4	**-0.04**	**0.11**	0.58
S&P 500 50-Day A/D Line	668.0	↑	0.1	-0.1	0.00	**0.05**	**-0.08**
NYSE TRIN Index	1.1	↓	-0.8	-0.2	**0.00**	0.23	0.63
Overall Technical		↓	**-0.3**	**0.3**	**0.22**	**0.44**	**0.69**
Fundamental/Monetary							
Corporate Spreads (10-Day ROC)	1.0	↓	-0.1	0.1	**0.14**	0.33	0.69
Corporate Spreads (50-Day ROC)	-2.0	↑	0.0	0.0	0.22	0.52	0.98
High Yield Spreads (10-Day ROC)	-5.0	↓	-0.3	-0.1	0.22	0.50	0.71
High Yield Spreads (50-Day ROC)	-15.0	↓	0.0	-0.1	0.23	0.42	0.68
S&P 500 P/S Ratio	3.1	↓	0.0	3.0	**1.34**	**1.34**	**2.43**
S&P 500 P/E Ratio	25.6	↓	-0.1	1.8	0.18	**0.19**	**-0.51**
S&P 500 P/B Ratio	4.8	↓	-0.1	3.4	**0.80**	**1.33**	**2.27**
Yield Curve (50-Day ROC)	23.3	↓	0.0	0.6	**-0.02**	**0.28**	0.60
Yield Curve (10-Day ROC)	1.3	↑	0.7	0.1	0.22	0.39	**0.00**
Overall Fundamental		↑	**0.0**	**1.0**	**0.22**	**0.42**	**0.69**
Bottom Line		↓	**-0.1**	**0.6**	**0.22**	**0.39**	**0.69**
Average S&P 500 Performance (All Days)					0.17	0.33	0.67

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Bespoke Market Timing Model - Explained

Sentiment	Current Level: Indicator	Direction	vs Historical	Average S&P 500 Performance (%): One Week	Two Weeks	One Month
CBOE Call Volume	1.7	↑	0.6	0.13	-0.22	-0.44
Overall Sentiment		↑	**0.3**	**0.14**	**0.16**	**0.28**
Bottom Line		↑	**0.3**	**0.12**	**0.21**	**0.27**
Average S&P 500 Performance (All Days)				0.12	0.24	0.50

The **Bespoke Market Timing Model** is a compilation of some widely (and not so widely) followed market indicators. While most investors have one or two indicators they rely on, we all recognize that no indicator by itself is correct all of the time. With this in mind, we set out to create a series of indicators from multiple disciplines in order to see what the 'crowd' of indicators are telling us. Just as no individual is bigger than the market, we contend that no single indicator is more accurate at forecasting the market than the sum of them all. What follows below is an explanation of the various fields in our report.

Indicator: Current level of the given indicator. In this example, CBOE call volume is 1.7 times CBOE put volume.

Direction: Change in the indicator (positive or negative) over the last week. In this example, calls relative to puts have increased during the last week.

vs Historical: This field measures the distance in standard deviations that the indicator is currently at versus its average over the last five years. In the above example, the volume of calls relative to puts is 0.6 standard deviations above its historical average.

Average S&P 500 Performance: This field displays the average performance of the S&P 500 following previously occasions when the indicator was at similar levels to the present. Values highlighted in green indicate the two indicators for that group which are predicting the biggest gains, while indicators highlighted in red highlight the indicators which are signaling the most negative returns going forward.

Overall Scores: Averages all the indicators for a given category. In the example above, overall sentiment is 0.3 standard deviations from its long-term average. At similar levels in the past, the S&P 500 has gone up an average of 0.14% over the next week, 0.16% over the next two weeks, and 0.28% over the next month.

Bottom Line: This line shows the average of all the indicators in the study. In the example above, the aggregate level of all the indicators is currently 0.3 standard deviations above the historical average, and based on prior experiences, the S&P 500 has gone up an average of 0.12% in the next week, 0.21% in the next two weeks, and 0.27% in the next month. Values highlighted in red indicate returns that underperform the S&P 500 over the entire period covered (regardless of the indicator level), while green highlights indicate that they outperformed the overall average S&P 500 performance.

Average S&P 500 Performance (All Days): This line measures the average historical performance of the S&P 500 over all periods for one week, two week, and one month time frames. These levels are then compared to the average level the indicators are predicting in the next two weeks, and 0.27% in the next month. Values highlighted in red indicate returns that underperform the S&P 500 over the entire period covered (regardless of the indicator level), while green highlights indicate that they outperformed the overall average S&P 500 performance.

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