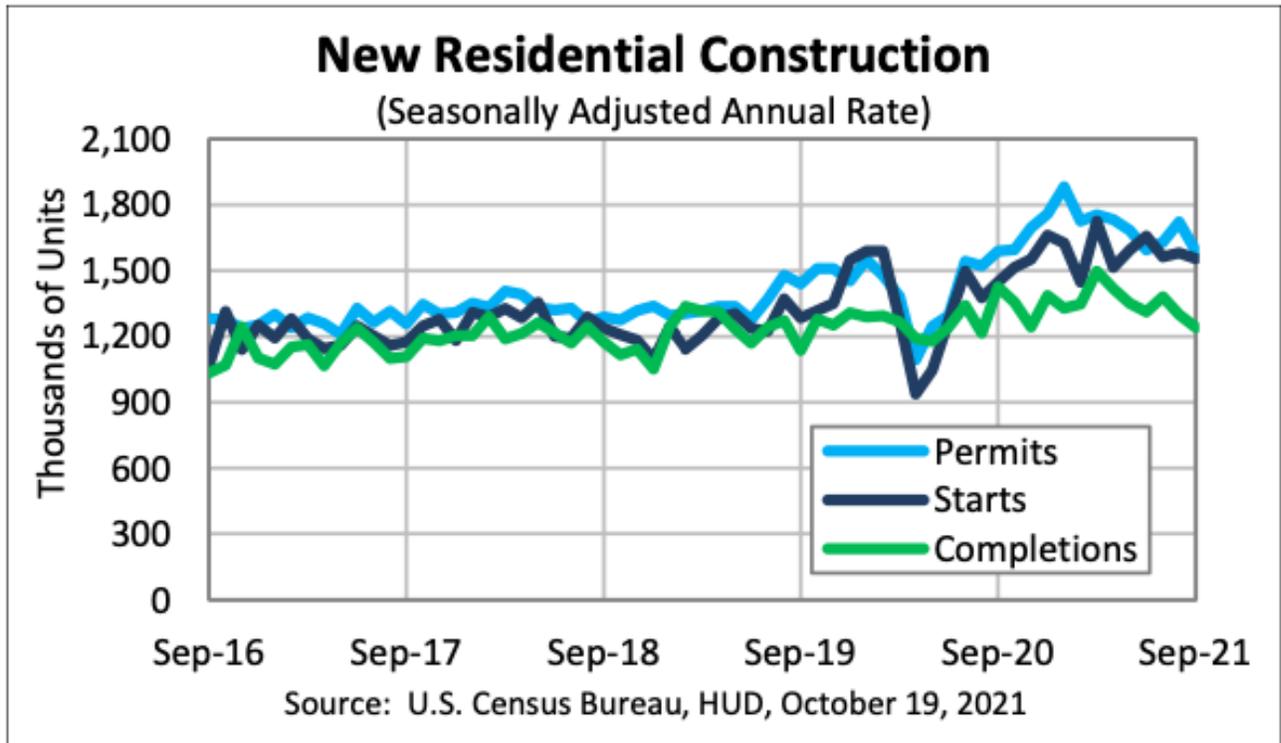
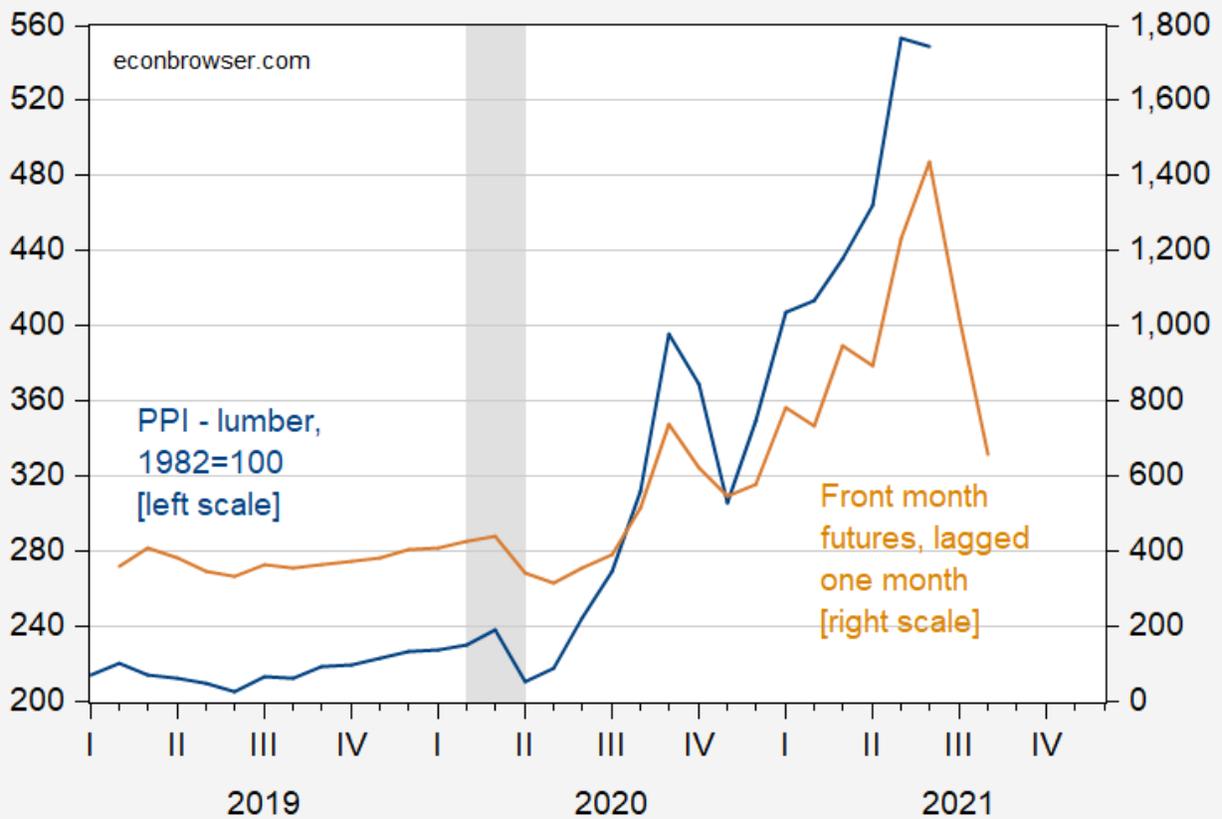


This week...

Aside from a look at what new home sales and starts are doing, it's a quiet week from the top-down economic side of the ledger. Levels of permits and starts above pre-Covid levels, but down from the all-time highs set in the spring of this year. Like many things, inventory is tight, and prices are up.



Skyrocketing lumber prices, which had been a big story in the front half of the year, have corrected back to a more normalized baseline level. If the Fed wants to show you a picture of how inflation is transitory, this is the one. Futures prices are in orange, price adjusted for inflation in blue.



While we published a lengthy piece on Friday talking about the setup for inflation being either transitory or long-term, we weren't the last word. Going into the weekend Twitter and Square founder Jack Dorsey posted [hyperinflation is coming](#), and it's coming on fast.

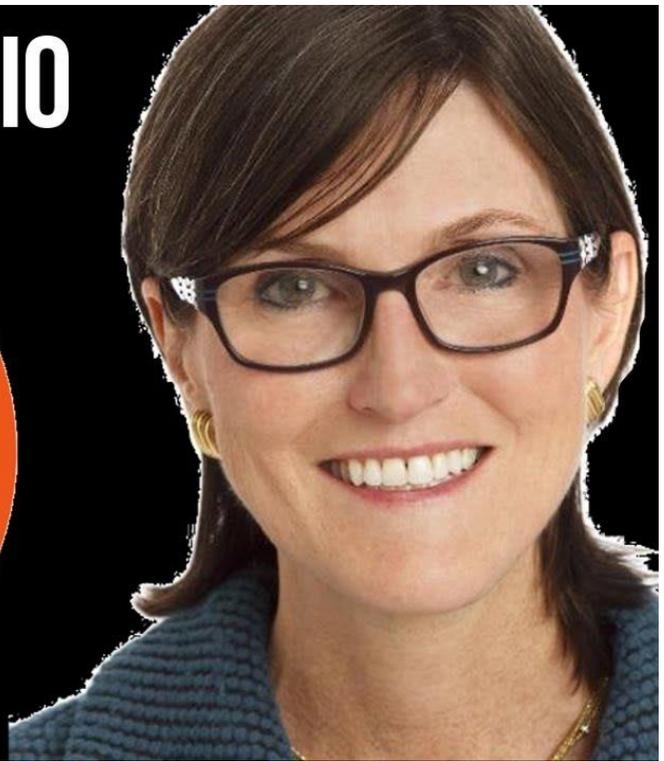
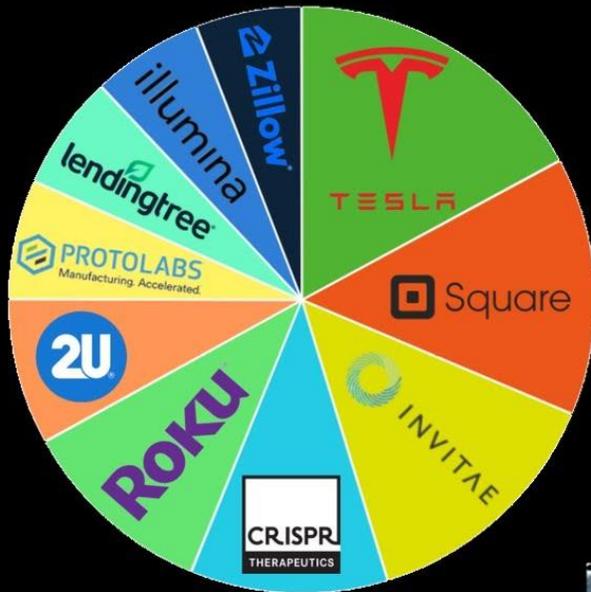


Less than 12 hours later, the ubiquitous Kathy Woods opened up a can of Whup Ass on Jack's idea, tweeting that [inflation would return](#) to an abnormally low level for three reasons.

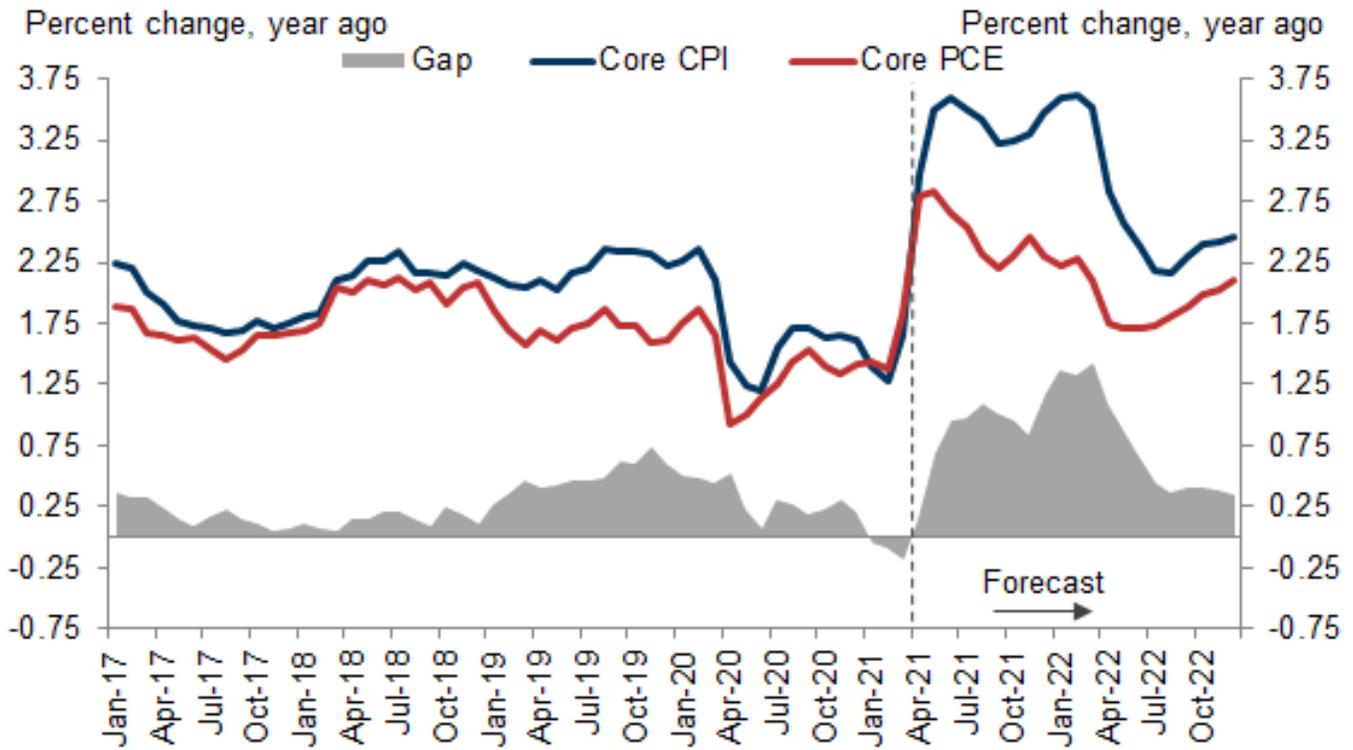
- 1) Rapidly falling prices in products impacted by transformative technologies.
- 2) The utterly deflationary impact of our over-indebted society.
- 3) The cyclical nature of the current perky inflation numbers we're seeing.

While Wall Street is filled with shrills and snake oil salesmen, Kathy is not among them, and has parlayed her belief in innovation into a life changing amount of money for both herself and those invested in her funds.

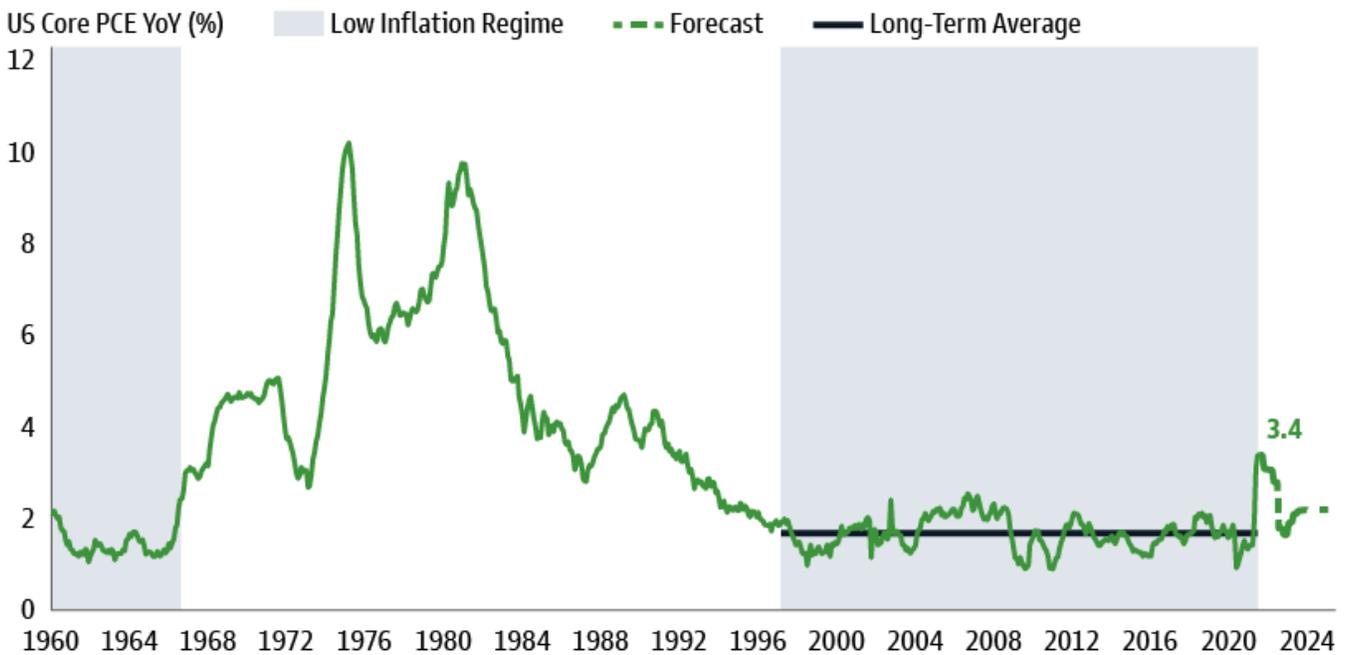
WOOD'S PORTFOLIO



For those looking to paint the Fed's picture of inflation moderating into the latter half of next year, here is how Goldman Sachs [would see it](#). While the numbers are a little stale, and inflation has peaked at higher levels, the chart is directionally accurate.



And now for the big picture 'who the eff cares' chart....

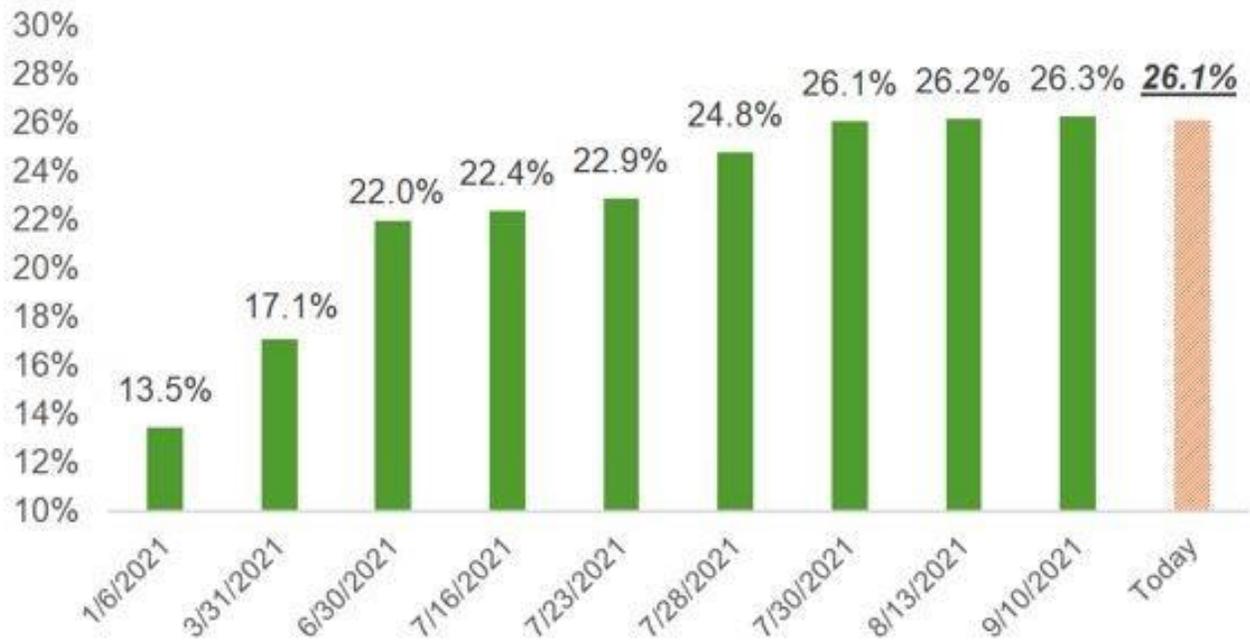


Crazy to think that inflation has been dead or dying for almost thirty years now. That's not only a long time, but it also provided the wind in the sails to a boom in the equity markets like nobody could believe.



It's going to be a huge week for earnings with [925 companies](#) lifting the veil on how business went in the 90 days between July 1st and September 30th, which still seems like an onerous burden given that short period of time that represents. But until the SEC says otherwise, we are stuck with the program. We used this chart two weeks ago to show how promising things look, with a robust 26% growth rate expected.

Evolution of 2021 Q3 Earnings Growth Estimates



Source: Zacks Investment Research Inc.

On tap this week we have the hitters club of the Nasdaq in Microsoft, Apple, and Amazon. But these are all edgeless names where earnings are managed, and the expectation game from the sell side on Wall Street is laughable. And to think, I used to listen to these calls with great anticipation. Just look at this lucky bastard, who never has to utter the painful words [‘great quarter guys’](#).



On the other side of the blanket optimism from Wall Street is us lowly short sellers who try to sift through the noise and decipher what is really going on. Case in point is our friend Jim Chanos, who last week picked off IBM for the [financial engineering](#) and 'hijinks' that have been used to qualify the company in the growth category. We agree and have been sitting short the shares for the last two years. This trade has been filed under 'does not suck' for a long time.

IBM vs peers performance



Next week we will give you an update on what management teams have been saying about business and the economy, literally. While this tends to be a bit of a parlor drinking game, it's always interesting to see what the lemmings are saying as they head over the cliff together. Chicago's Booth School produced an interesting piece on how to listen to the ['hidden data'](#) in each conference call. It's well worth the read, at the end of the day... '

Top 15 over used words and phrases at work

1. Win-Win
2. Think outside the box
3. Going forward
4. Reach out
5. Touch base
6. At the end of the day
7. Raise the bar
8. Give 110%
9. The ball is in your court
10. Synergy
11. Empower
12. In the pipeline
13. Lets take it offline
14. The elephant in the room
15. The bottom line is....

California just got pounded by an [‘atmospheric river’](#) of moisture over the last couple of days, and the mountains are looking to be in great shape for a pre-Thanksgiving

opening of the ski lifts. God willing CalTrans can keep Highway One open as one of finest, and most scenic, food festivals is taking place later next week when the [Big Sur Food and Wine Festival](#) takes over Nepenthe, Ventana, and the Post Ranch Inn. The event runs from November 4th through November 6th in, you guessed it, Big Sur.



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