
S&P's Best Earnings Run Since 1999 Meets Rebalance: Taking Stock
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By Elena Popina

(Bloomberg) -- If Wall Street wanted more from this earnings season, it hasn't shown. Now comes a month-end rebalancing that may cause some of the S&P 500's recent momentum to fizzle.

* The S&P 500 has advanced 5% since JPMorgan Chase & Co. kicked off the earnings season nine days ago, in the best start to a reporting cycle since the dot-com mayhem 88 quarters ago. Along the way, the index slipped only once, with a 0.1% drop on Friday doing little to derail the benchmark from its best month since the election.

* Now institutional investors with large stock and bond holdings will need to balance out their positions, buying dips on losers and taking profits on winners. How big will the impact be? A regression analysis done by strategists at BNP Paribas SA shows that the outflow needed to compensate for a divergence between this month's drop in the bond market and rally in stocks could translate into a 2.6% decline in the S&P 500 when the rebalancing takes place.

* While a 2.6% drop in the S&P 500 would be a pipsqueak next to a 104% rally since last March, it could throw a dash of cold water on those thinking the gauge's recent momentum is set to last. So far today, stocks are comfortably in the green, with futures on the S&P 500 Index up 0.4% and the Nasdaq 100 futures up 0.7%. The yield on the 10-year note is down for a third session, taking a breather after a five-day streak of gains before.

* Estimates on the scope of this month's rebalancing differ, with a different model from BNP Paribas -- that doesn't use regression -- implying pension funds will have up to \$29 billion of U.S. stocks to sell. Over at Wells Fargo & Co., strategists say about \$5 billion will flow into bonds and out of equities.

Notes From the Sell Side:

* Facebook was upgraded to buy from neutral at Rosenblatt Securities, which cited valuation in the wake of the social-media company's third-quarter results. "The stock looks oversold near-term following last night's reset," wrote analyst Mark

Zgutowicz, who sees limited downside potential in the near-term. Rosenblatt is optimistic that while a headwind from Apple's privacy policy may be permanent, "FB's relative capex dollar advantage may translate to the best (and soonest) relative" return on advertising spend on the iOS platform.

* Intel was downgraded to market perform at BMO Capital Markets, the latest firm to lower its view on the chipmaker in the wake of the company's third-quarter results, in which Intel said that profitability would suffer over the next few years due to higher spending. "We fail to see a scenario where shares outperform," wrote analyst Ambrish Srivastava. Not only does BMO think it is unlikely that Intel will be able to grow revenue at a double-digit compound annual growth rate, "we see Intel barely being able to cover its dividend commitments given the depressed FCF over the next two years."

* Beyond Meat was downgraded to underperform at Credit Suisse, which wrote that the faux-meat company's third-quarter results reinforce a cautious view on its potential. "The meat alternatives category still has potential upside for the next several years, but we are lowering our long-term forecasts for Beyond's sales and market share," the firm wrote. Recent management departures suggest "deeper problems that won't be quick to fix."

Sectors in Focus:

* Shares of companies that derive revenue from on line advertising are higher in premarket trading after Facebook's results provided more clarity on the impact of an Apple policy that restricts data collection on iPhones. FB up 1.6%; among other social-media names, TWTR is up 1.6%, SNAP up 1.1%, PINS up 0.6%.

* Miners and steelmakers could be active as iron ore rose after China sought to assuage concerns about an economic slowdown. Watch AKS, MT, NUE, STLD, NEM, FCX for a potential move.

* Watch courier services after UPS posted profit that topped analysts' expectations and raised its operating margin outlook to 13% for 2021 from an earlier target of 12.7%. Shares up 4.5% premarket, FDX up 1.2% premarket, JBHT little changed.

Tick-By-Tick to Today's Actionable Events:

* 6am-- UPS, CNC, ENTG earnings

* 6:20am-- GE earnings

* 6:25am-- LLY earnings

* 6:30am-- MMM, PHM, HAS earnings

- * 6:45am-- MSCI earnings
- * 7am-- RTX, SHW, TRU, ADM, IVZ earnings
- * 7:15am-- SPGI, WM earnings
- * 7:30am-- LMT, GLW, HUBB, FSV CN earnings
- * 8am-- PCAR earnings
- * 8:30am-- ECL earnings
- * 9am-- S&P CoreLogic house price index
- * 10am-- New home sales
- * 10am-- Conf. Board Consumer Confidence
- * 10am-- Richmond Fed Manufacturing Index
- * 12:40pm-- Raytheon Technologies Chairman/CEO Greg Hayes on Bloomberg TV
- * 1pm-- 2-year Note auction
- * 2:50pm-- Shutterstock CEO Stan Pavlovsky on Bloomberg TV
- * 4pm-- MSFT, TXN earnings
- * 4:05pm-- COF, TWTR, DLR, HOOD, ENPH, MASI, FBHS, CHRW, FFIV, MANH earnings
- * 4:15pm-- GOOGL, AMD, CSGP, EQR, PFG, ESS, AGR, UDR, FM CN earnings
- * 4:30pm-- API weekly crude oil stocks
- * 4:30pm-- GOOGL, TXN conference call
- * 4:35pm-- IEX earnings
- * 4:40pm-- V, BXP earnings
- * 5pm-- V, AMD conference call
- * 5pm-- TER earnings
- * 5:00pm-- LinkedIn Co-Founder, Greylock Partners Partner Reid Hoffman on Bloomberg TV
- * 5:30pm-- MSFT conference call
- * Lockup expirations: EDR, PRVA, AVAH
- * Analyst quiet period expirations: TDCX, EXAI, FWRG, NTRB

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