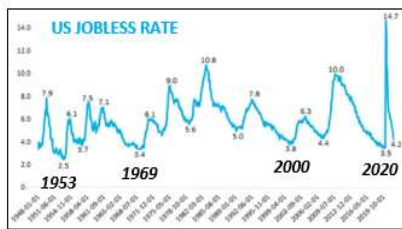
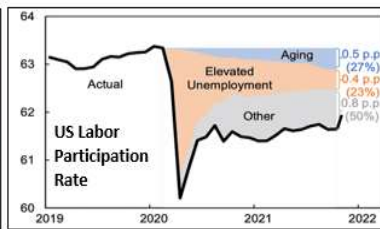


ADDBACKS

**US JOBLESS RATE & LABOUR PARTICIPATION + US CORPORATE PROFITS vs GDP + ADD-BACKS
 + US CORPORATE MARGINS + S&P 500 & S&P500 EW FWD PE + US FEAR & GREED INDEX**



Source WSJ - chart 1



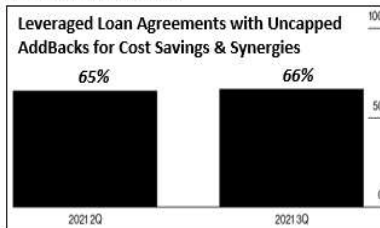
Source Barron's- chart 2



Source Haver Analytics - chart 3



Source Fred Graph - chart 4



Source Xtract Research - chart 5



Source Xtract Research - chart 6



Source Oxford Economics - chart 7



Source CNBC - chart 8



Source CNBC - chart 9

Forget the weak NFP for November. All other components of the US job data, including the household survey, continue to point towards a strong employment market which is close to the NAIURU (chart 1), if the latter has not already been reached when considering that a large part of the participation rate shortfall since the pandemic is structural rather than cyclical, with the 55+ years old opting for an earlier retirement (charts 2 + 3). With the average hourly earnings still up +4.8% YoY and US economic growth expected to remain strong in 4Q, **there is no reason for the Fed not to accelerate its tapering; especially as the more it goes, the more it appears that the Omicron strain would be much milder than the previous variants.**

Much more worrisome is the spreading of addback accounting tricks in the US (based on the addition of projected cost savings & synergies, which may not be realized in the future) to such an extent that the growing gap between pro-forma & GAAP results is raising eyebrows. The fact that many Ebitda figures may no longer be reliable is frightening, while it is a reminder of 2000 with the “vendor-financing” scandal of companies like Alcatel (which led to the generalized use of the GAAP format).

This reinforces our view that, whatever the operating leverage effect which is characteristic of the first phase of a recovery and the kitchen sinking implemented during the pandemic, corporate margins (at an all-time high since 1950!) & current profits level vs GDP are unsustainable in the US (charts 4 + 6 – Real Gross Value Added = Real GDP + subsidies on products – taxes on products). No technological revolution happened between 2019 and 2021 that would justify such a change in the profitability gears.

Remains that many private equity funds/lenders are now basing their credit exposure on recurring or expected revenues (including services contracts & subscriptions due) rather than Ebitda, so that they can finance unprofitable companies. Hence the numerous lofty valuations which are justified by too optimistic earnings/revenues forecasts, with 66% of leveraged loan deals now allowing uncapped Ebitda addbacks versus 30% in late 2018 (chart 5)!

Meanwhile, short-term, although we fully agree with chart 7 (which suggests that US corporate margins are peaking in the US), we stick with our short-term tactical view of a rebound in the US. The Fear & Greed index pleads in favour of such a relief (chart 8), while the Fwd PE of the S&P 500 EW is becoming more attractive (chart 9). This fits with the idea that the overcrowded tech giants (are still?) due for a downside catchup, while a third of the S&P 500 is already down by -15% from its recent high.



Our scenario is unchanged. We just adjust the short-term levels.



We stick to our view. Like many US indices, the NYSE index is in a bottoming process in order to end a first decline, if not already done.

RUSSELL 2000 FUT – DAILY



Same comment as above.

NASDAQ FUT – DAILY



Meanwhile, visibility remains nil on the Nasdaq and the S&P 500 (short-term structures are not clear). We just note that 50% of wave VII has been retraced so far.

BITCOIN – DAILY



It could happen, although we did not anticipate it. Any breakdown through the high of wave “a” was supposed to trigger many stop-loss on the downside. A double top pattern since the high of April should now be expected, as drawn above.

MSCI EM – DAILY



Whatever the wave count to adopt since the top of mid-February (which remains unclear), we will stick to a negative bias for the moment, as long as the low of wave 1 (red horizontal trendline) remains intact.

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