MONDAY MORNING KICKOFF

YOUR MARKET PRIMER FOR THE WEEK AHEAD

From the Trump Trade to Turkey Day and Holiday Shopping

The post-election market rally, which has been coined by many as the "Trump Trade", continued last week leading to additional gains in all of the major market indices. Even after what looked to be a Friday fade in the market, the last 8 days have led to an overall pronounced move in the market, especially in the Dow Jones Industrial Average and the Russell 2000 — both of which have now firmly moved into overbought territory. The S&P 500 too, while not overbought, is within striking distance of its 52-week high, which as we enter this holiday-shortened week means that index is trading at nearly 18.5x expected 2016 earnings.

Viewed in tandem, we are likely facing odds better than 50/50 of the market giving back some ground after such a quick move higher. Factor in the Thanksgiving holiday and lighter that usual trading volume and those odds shift even further in favor of at least some retrenchment.

If the official start of the 2016 holiday shopping season underwhelms, the odds tick even higher.

October Retail Sales Report — A Continued Shift Towards Digital

The headline figure for retail sales and retail sales ex-auto figures from the October Retail Sales Report came in better than expected. Reported retail sales for October registered a gain of 0.8 percent, beating expectations for a 0.6 percent improvement, while retail sales ex-auto for October rose 0.8 percent, outpacing expectations for 0.5 percent.

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Thematic Signals

Twitter introduces new anti-harassment option, named as MUTE BUTTON to tackle trolls and cyberbullying. *Connected Society*

Elon Musk says Trump presidency won't hurt Tesla — here's why. *Disruptive Technologies*

World's Biggest Real Estate Frenzy Is Coming to a City Near You *Emerging Wealth / Rise & Fall of Middle Class*

eSports might still be in the "growth" stage, but it's filling stadiums faster than a Trump rally in Texas *Content is King / Connected Society*

Why HBO is Having a Rough Transition from Auteur TV to Big-Time Streaming *Content is King*

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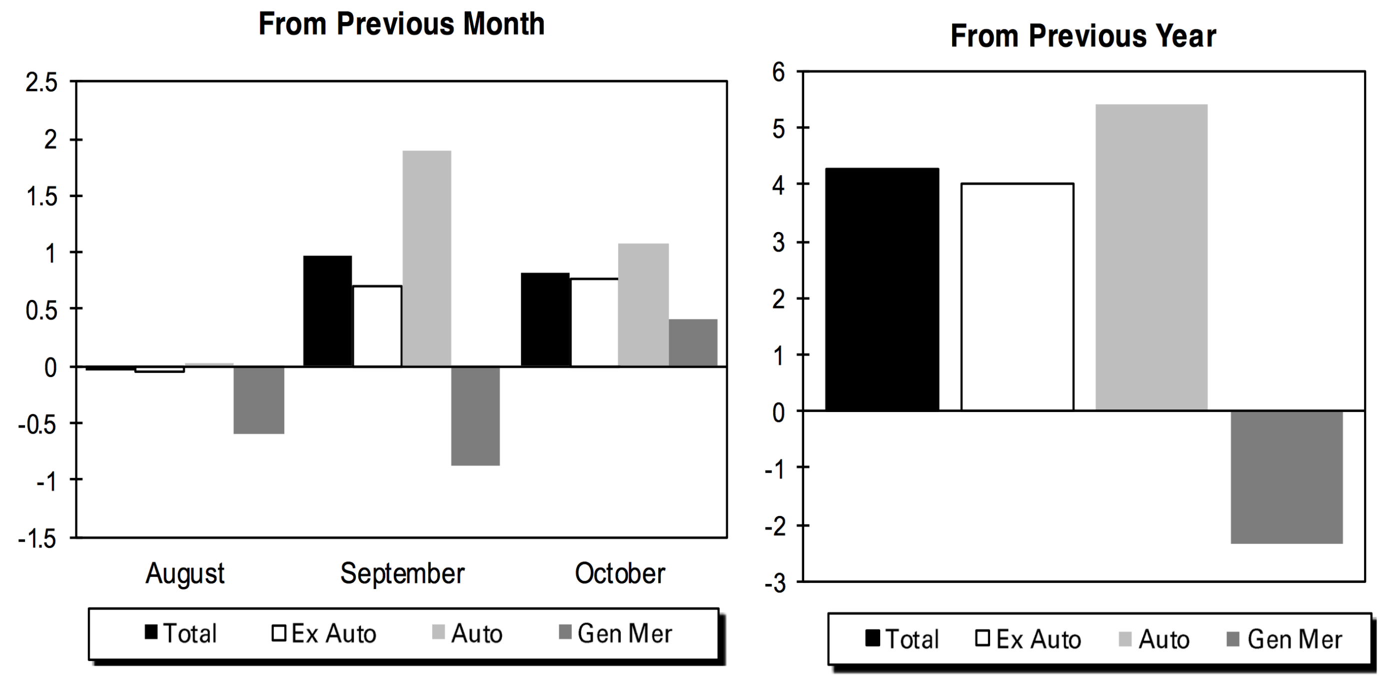
ABOUT THE MONDAY MORNING KICKOFF

In order to get ready for the week ahead, the team at Tematica traces the key happenings of the past week and looks at the economic and earnings calendars slated to come out for the coming week in order to identify key catalysts that are bound to the shape the market in the near-term, and in-turn impact our tematics.

Percent Change in Retail and Food Services Sales

(Estimates adjusted for seasonal variation and holiday and trading-day differences, but not for price changes)



Digging into that report as we like to do, we discover where consumers were really spending during October. Compared to October 2015, retail strength was registered at nonstore retailers (+12.9 percent), health and personal care stores (+8.3 percent), building material and garden (+6.5 percent), which outpaced overall retail sales gains of +4.3 percent (+4.0 percent if we exclude autos). The two categories that continued to post year-over-year declines in sales were department stores (7.3 percent) and electronics and appliance stores (4 percent).

Our take on the above, and juxtaposing the performance of nonstore retail vs. department stores and electronics and appliances, is that it's yet another data point for the accelerating shift toward digital commerce at the expense of bricks-and-mortar stores. Yes, we said another data point, because when we take a longer-term view, the shift is rather striking.

Over the trailing three-month period of August to October 2016 vs. the same period in 2015, we see nonstore retail sales rose more than 12 percent year over year vs. declines of 6.7 percent and 4.3 percent for department stores and electronics and appliances, respectively. Longtime readers will no doubt recognize this is a positive for our ***Connected Society*** and ***Cashless Consumption*** investing themes.

Last week we also received the October reports for the Producer Price Index and Industrial Production as well as Capacity Utilization, and all three show there is room to run when it comes to the economy and the Fed's interest rate hike triggers. It's hard to argue the economy is overheating when total industry capacity utilization in October (75.3 percent) registered lower than vacation filled August (75.6 percent).

Those reports were followed by Fed Chairwoman Janet Yellen's testimony before congress, which in our view was once again as clear as mud served up with a helping hand of "if", "maybe", "perhaps" and "data."

We've gathered our Dick Tracy decoder ring, 007's infamous watch, an I-Spy beeper and even trotted out a Magic 8-ball to help see through that verbal mud the Fed Chair dropped in Congress last week. In doing so, we once again find that context and perspective shed some light on what was really being said.

Back in September, the Fed stated that "household spending and business investment have been increasing at solid rates in recent months." The FOMC's statement on Nov. 2 shifted to "household spending has been rising moderately, but business investment has remained soft."

When Fed Chair Janet Yellen testified before Congress last week she made the following statements, which we've used all of our insight and gadgets to decode and translate for your reading pleasure:

Janet Yellen
Federal Reserve Chair

"The stability of the unemployment rate, combined with above-trend job growth, suggests that the U.S. economy has had a bit more 'room to run' than anticipated earlier."

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Translation: The labor market is not yet overheating, so no pressure from here to raise rates.

"The unemployment rate is still a little above the median of Federal Open Market Committee (FOMC) participants' estimates of its longer-run level, and involuntary part-time employment remains elevated relative to historical norms."

Translation: There is still slack in the labor market, so further emphasis on lack of pressure.

"...business investment has remained relatively soft, in part because of the drag on outlays for drilling and mining structures that has resulted from earlier declines in oil prices. Manufacturing output continues to be restrained by the weakness in economic growth abroad and by the appreciation in the U.S. dollar over the past two years. "

Translation: Still not happy about the corporate part of the economy. More importantly, Janet Yellen points out that a strong dollar is a headwind to parts of the economy. Remember, if the U.S. raises rates and other major economies leave theirs as is or reduce them, all else being equal, the dollar would strengthen. A strengthening dollar is a deflationary force because it reduces the effective price of imported goods and services and the dollar has already appreciated over 8 percent just since May.

"Were the FOMC to delay increases in the federal funds rate for too long, it could end up having to tighten policy relatively abruptly, to keep the economy from significantly overshooting both of the Committee's longer-run policy goals."

Translation: Yes, we know that if we wait too long we'll get more inflation than we want. Relax everyone, we've got this.

"With the federal funds rate currently only somewhat below estimates of the neutral rate, the stance of monetary policy is likely moderately accommodative, which is appropriate to foster further progress toward the FOMC's objectives. But because monetary policy is only moderately accommodative, the risk of falling behind the curve in the near future appears limited, and gradual increases in the federal funds rate will likely be sufficient to get to a neutral policy stance over the next few years."

Translation: We aren't all that stressed about the level of monetary support in the economy because we think the rate that would exist without our interference isn't much higher. Since the difference isn't that big, we don't think that there is that big of a risk of excess inflation getting ahead of us in the near-term. Do the math Mr. Market, if the difference isn't all that great and I'm saying we will get to neutral over the next few years, any hikes are going to be wee little ones.

So Will They or Won't They?

We think Chairwoman Yellen's testimony actually reduces the likelihood of a rate hike in December. She just laid out her case for why we shouldn't get fussed if there is the Fed once again takes a pass on a rate hike. Add in the slowing of the German economy, and the European Central Banks comments that lay the groundwork for additional stimulus, odds are the recent strength in the US dollar will persist and weigh on export demand.

In other words, currency headwinds are likely to remain without a December interest rate hike. Then there is the uncertainty surrounding President-elect Trump's economic policies. Keep in mind as well that Italy is holding a constitutional referendum on Sunday, Dec. 4.

- A vote for "yes" would do a lot to break Italy's onerous political process, which seems to be utterly incapable of getting anything done in a nation that is in desperate need of reform.

- A "no" vote would solidify the status quo, which would likely lead to capital flight as the market does a face palm on the realization that Italy just isn't going to get its house in order. Mamma mia!

Currently, polls are indicating that the vote will fail, which would put upward pressure on the dollar. We're all pretty confident in the accuracy of those polls these days too, right?

They utterly nailed it on Brexit and President Trump — cut to all those face-palming pollsters. Sarcasm folks. Sarcasm!

As we see it, all of this increases the likelihood the Fed hits the pause button on interest rate hike timing until their March 2017 meeting.

As those items we cited above unfold and we get even more economic data ahead of the Fed's next FOMC meeting on December 14-15, we'll be on watch for what it all means the Fed is likely to do.

Turning our gaze to next week

This will be a short one due to the Thanksgiving holiday — one of our favorites, and it's not because of all the pie. Historically the Wednesday before Thanksgiving tends to be a big travel day for many, and AAA predicts that 49 million Americans will travel 50 miles or more during the upcoming Thanksgiving holiday, with 89 percent of them traveling by car. Just reading that we too wish the days of the autonomous driving vehicle that is part of our ***Disruptive Technology*** investing theme were here today so we could catch a post-pie snooze on the way home.

The shortened week means that Wednesday will be a rather quiet day in the markets, as will Friday, thereby making the busiest days of the week today and tomorrow. Indeed, Tuesday sees a hefty dose of economic data including the weekly MBA Mortgage Index and jobs reports as well as the October reports for Durable Orders and New Home Sales. Also on Tuesday we'll get the next iteration of the Fed's FOMC minutes, this time for the Nov. 2nd meeting. With the next FOMC meeting just a few weeks off and the markets once again split on what the Fed will do as it pertains to interest rates, odds are next week's minutes release will be dissected, parsed and of course scrutinized.

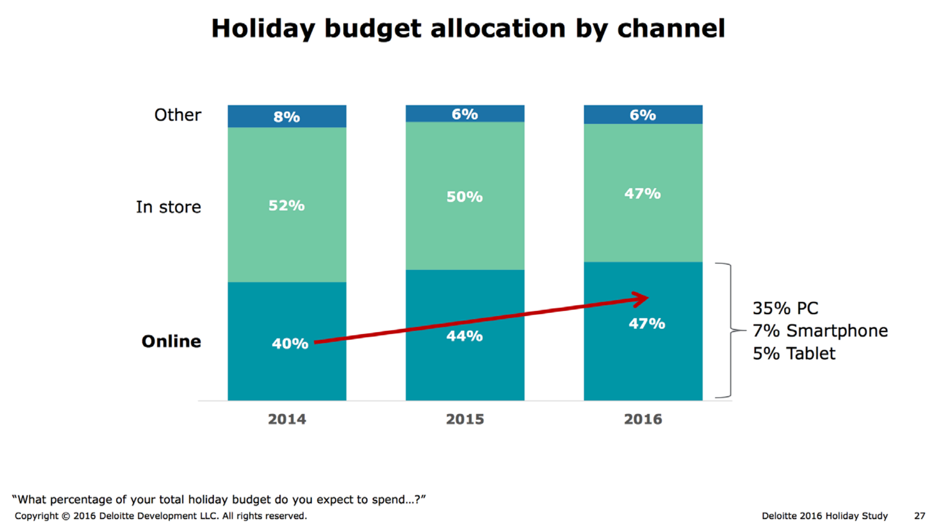
ECONOMIC CALENDAR		NOV 21 - 25, 2016
DATE	REPORT / SPEECH	DATA
22-Nov	**Existing Home Sales**	Oct
23-Nov	**MBA Mortgage Index**	19-Nov
23-Nov	**Continuing Claims**	12-Nov
23-Nov	**Durable Orders**	Oct
23-Nov	**Initial Claims**	19-Nov
23-Nov	**Continuing Claims**	12-Nov
23-Nov	**Durable Orders, Ex-**	Oct
23-Nov	**Durable Orders**	Oct
23-Nov	**Durable Orders, Ex-**	Oct
23-Nov	**FHFA Housing Price Index**	Sep
23-Nov	**Michigan Sentiment - Final**	Nov
23-Nov	**New Home Sales**	Oct
23-Nov	**Michigan Sentiment - Final**	Nov
23-Nov	**Crude Inventories**	19-Nov
23-Nov	**Natural Gas Inventories**	19-Nov
23-Nov	**Natural Gas Inventories**	19-Nov
23-Nov	**FOMC Minutes**	2-Nov
24-Nov	**Continuing Claims**	12-Nov
24-Nov	**Initial Claims**	19-Nov
24-Nov	**Natural Gas Inventories**	19-Nov
25-Nov	**International Trade in Goods**	Oct
25-Nov	**Advance Wholesale**	Oct

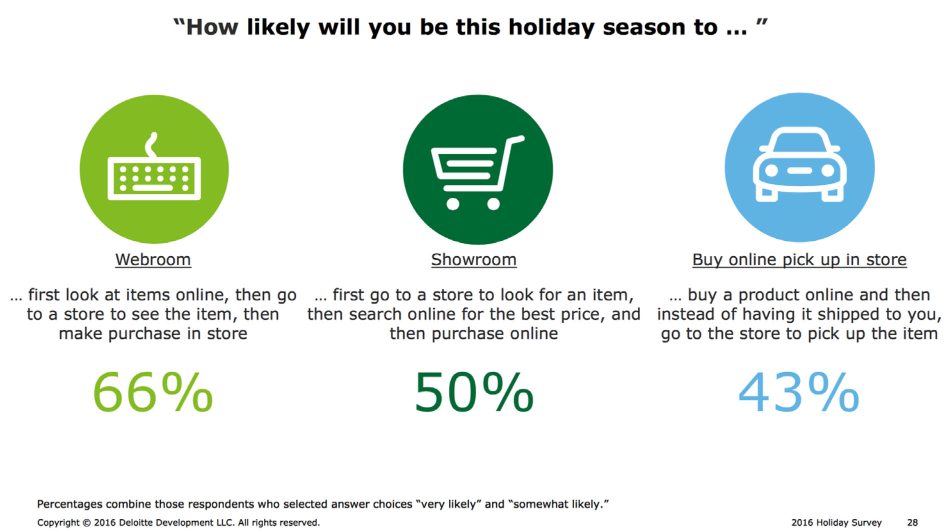
While attention spans are likely to wane as the week goes on as our minds dream of sweet potato casserole while others plot how to get on the road and beat those 49 million travelers, we still have some corporate earnings reports being issued. Granted, roughly 95 percent of the S&P 500 has reported already, but there are still 13 of those 500 companies reporting this shortened week. It is what it is. Given the lightly staffed trading floors and rather low trading volume, Wednesday and the Friday after Thanksgiving are days that companies use to slip in not so good news. Their bet is people will be traveling and or shopping, and the news flies under the radar. Perhaps they need to be reminded about our ***Connected Society*** investing theme...

As we just indicated, many will be shopping the day after Thanksgiving, which is far better known to many as Black Friday, the official kickoff to the holiday shopping season. Historically consumers have flocked to retail stores to scoop up deals and help walk off all that Thanksgiving Day pie.

This year, however, Deloitte sees digital shopping matching brick & mortar shopping for the first time and we confess we are very much in tune with this aspect of our ***Connected Society*** investing theme. Fight the crowds or relax with our feet up and pursue the latest online deals from **Amazon (AMZN), William-Sonoma (WSM), Nike (NKE), Under Armour (UA), Moleskine (MLSKF)** and dozens of others? It doesn't seem like much of a choice if you were to ask us.

Coming out of the holiday shopping weekend, we expect the National Retail Federation to offers its best guesstimate on how much consumers plopped down over the big shopping weekend. Odds are an even clearer picture will be had after Cyber Monday, a day that has become the online shopping equivalent of Black Friday. In our view, Black Friday to Cyber Monday will set the tone for 2016 holiday shopping, and as usual, there will be share gainers and losers as well as the food chain way to play it all.





EARNINGS ANNOUNCEMENTS THIS WEEK

The following are just some of the earnings announcements we'll have our eye on for thematic confirmation data points:

AFFORDABLE LUXURY

- Luxottica (LUX)
- Movado Group (MOV)

AGING OF THE POPULATION

- Everyday Health (EVDY)
- Patterson Cos. (PDCO)

CASH-STRAPPED CONSUMER

- Dillards Inc. (DDS)
- Burlington Stores (BURL)
- Campbell Soup (CPB)
- Dollar Tree (DLTR)
- DSW Inc. (DSW)
- Hormel Foods (HRL)

CONNECTED SOCIETY

- Dycom Industries (DY)

CONTENT IS KING

- Gamestop Corp. (GME)

ECONOMIC ACCELERATION/DECELERATION

- Jacobs Engineering (JEC)

FATTENING OF THE POPULATION

- Jack in the Box (JACK)
- Hostess Brands (TWNK)

RISE & FALL OF THE MIDDLE CLASS

- Tyson Foods (TSN)
- Citi Trends (CTRN)
- Signet Jewelers (SIG)
- Urban Outfitter (URBN)

SCARCE RESOURCES

- Canadian Solar (CSIQ)