

MONEY IN MOTION

February 21, 2023

The Ultimate Cross Section

- The five companies whose stocks are examined herein (examined as a group, as a basket) are a representative cross section of the US Consumer and the US Economy. In fact, we would argue they are the ultimate cross section.
- The five companies - key retailers, major retailers - employ 3.9 million people, have combined revenues of \$1.16 trillion, and a combined market capitalization of \$1.12 trillion. They are... Walmart, Home Depot, Costco, TJX & Target.
- And the price action of these five stocks in the day/days ahead (all five report earnings in the coming 7 sessions) will be a key piece of the puzzle that is the US Stock Market.
- Only one chart is examined in this report: a group chart, an equal-weight basket of the five stocks in question, over multiple time frames.
- And while a cynic might think and argue that a group chart such as the one examined herein cannot be analyzed and reveals nothing, the facts, of course, are otherwise. Indeed, whenever one analyzes the chart of an index (an aggregate), one is examining a 'group chart', is examining a 'basket'. And analyzing aggregates - sectors, sub sectors, industries, or the overall market- is very important work, as all will know.
- Finally, and interestingly, the \$1.12 trillion, equal-weight 5-stock basket that is the basis of this report, is at a critical juncture - chart wise. And our hunch is that said basket is headed lower...

Trade well,

-Carter

Carter Braxton Worth

Kimberly Simon

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Before getting to chart (of the 5-stock equal-weight basket) some 'facts & figures' about the stocks and companies in question...

Source: Worth Charting, Bloomberg, FactSet

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The companies:

Revenues, EBITDA, Net Income, Dividends, Head Count...

	Mkt Cap (billions)	Revenues (billions)	EBITDA (billions)	Net Income (billions)	Dividends (billions)	Employees
Walmart	395	606	34.9	16.6	6.1	2,300,000
Home Depot	325	157	26.7	17.1	7.5	500,000
Costco	225	244	25.6	6.4	1.5	304,000
TJX	92	49	5.8	3.6	1.3	340,000
Target	79	107	6.5	2.7	1.7	450,000
Total	\$1.116 Trillion	\$1.163 Trillion	\$99.5 Billion	\$46.4 Billion	\$18.1 Billion	3.89 Million

Source: Worth Charting, Bloomberg, FactSet

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The basket's funnymentials...

	Mkt Cap (billions)	Revenues (billions)	EBITDA (billions)	Net Income (billions)	Dividends (billions)
Basket	\$1.116 Trillion	\$1.163 Trillion	\$99.5 Billion	\$46.4 Billion	\$18.1 Billion

Source: Worth Charting, Bloomberg, FactSet

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The basket's "valuation"...

	Price/Sales	Price/EBITDA	Price/Earnings	Dividend Yield
Basket	0.96	11.22	24.1	1.62%

Source: Worth Charting, Bloomberg, FactSet

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The basket's "valuation"...

	Price/Sales	Price/EBITDA	Price/Earnings	Dividend Yield
Basket	0.96	11.22	24.1	1.62%

The market's "valuation"...

	Price/Sales	Price/EBITDA	Price/Earnings	Dividend Yield
S&P 500 Index	2.31	11.64	19.1	1.53%

Source: Worth Charting, Bloomberg, FactSet

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As to why these 5 stocks at present are the ultimate cross section of what matters for the market in the period immediately ahead...

Source: Worth Charting, Bloomberg, FactSet

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As to why these 5 stocks at present are the ultimate cross section of what matters for the market in the period immediately ahead...

- 1) The importance of consumer spending (and its impact on the economy) is incontestable.
- 2) Consumer spending, as all will know, accounts for approximately 67% of the U.S. economy, while personal consumption expenditures account for approximately 60% of total employment in the U.S. economy. As such, patterns of consumer spending are linked closely with broader economic conditions, and vice versa.
- 3) Two thirds of consumer spending is on services, one third is on goods from washing machines and furniture to gasoline, groceries and clothing.
- 4) Which brings us to the 5 companies in question... together they represent the ultimate cross section of employment, disposable income, household debt, consumer expectations and confidence, inflation (food, gasoline, lumber, etc.) home products and housing and so much more. And that is so, because, among other things...
 - **TJX is largest clothing company in the U.S.**
 - **Walmart is the largest grocer in the U.S.**
 - **Costco is the second largest grocer and the single largest seller of wine in the U.S**
 - **Home Depot is the largest seller of power tools in the U.S**
 - **Home Depot is the largest combined seller of building materials & garden supplies**
 - **Walmart is the largest employer in the U.S.**
 - **Walmart is the largest business in the U.S. with revenues of \$600 billion...**

Source: Worth Charting, Bloomberg, FactSet

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Which brings us to the chart of the \$1.14 trillion, equal-weight 5-stock basket...

Source: Worth Charting, Bloomberg, FactSet

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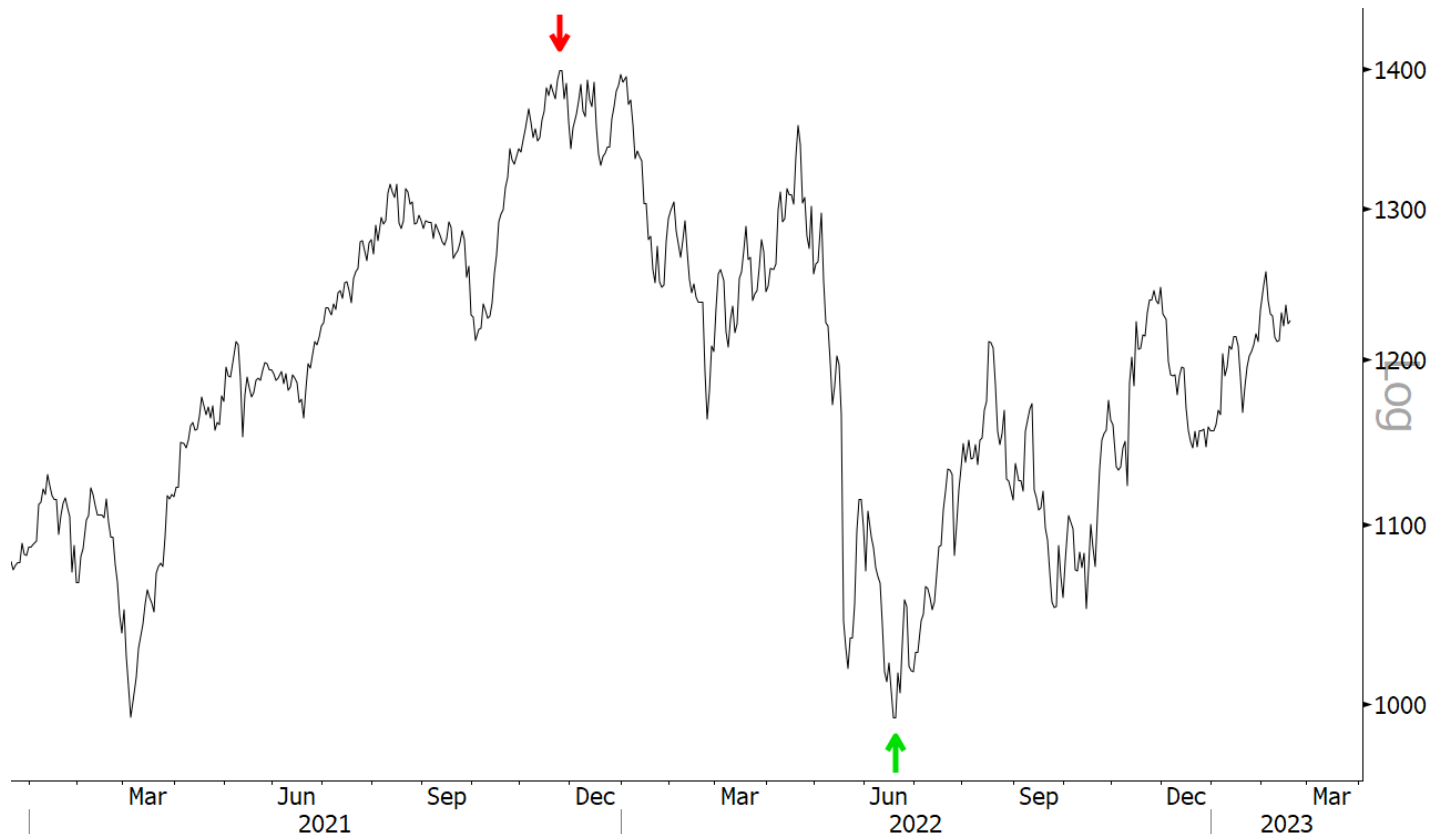
Chart 1 of 8:

WMT-HD-COST-TJX-TGT 5-Stock Equal-Weight Basket,

Peaked before the SPX... **November 25, 2021** (vs. January 4, 2022, SPX peak)

Bottomed before the SPX... **June 17, 2022** (vs. October 13, 2022, SPX bottom)

WMT-HD-COST-TJX-TGT Equal-Weight 5-stock Basket



Source: Worth Charting, Bloomberg, FactSet

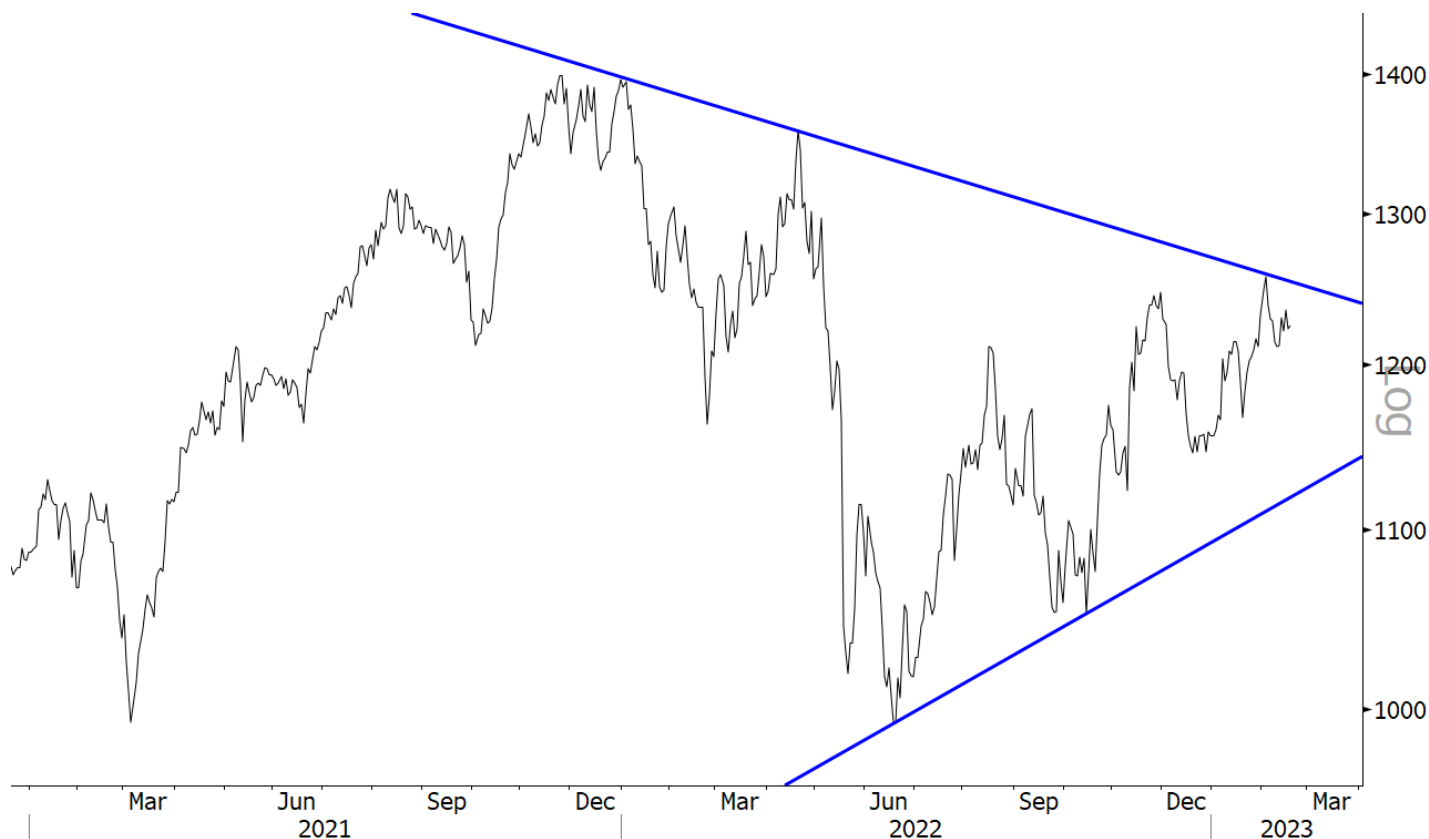
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Chart 2 of 8:

WMT-HD-COST-TJX-TGT 5-Stock Equal-Weight Basket,

Same group chart as on the preceding page, but with **trend lines drawn**.

WMT-HD-COST-TJX-TGT Equal-Weight 5-stock Basket



Source: Worth Charting, Bloomberg, FactSet

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Chart 3 of 8:

WMT-HD-COST-TJX-TGT 5-Stock Equal-Weight Basket,

A **major juncture**, by all accounts. **Converging trendlines**...

WMT-HD-COST-TJX-TGT Equal-Weight 5-stock Basket



Source: Worth Charting, Bloomberg, FactSet

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Chart 4 of 8:

WMT-HD-COST-TJX-TGT 5-Stock Equal-Weight Basket,
Same chart, going back 5-years

A **major juncture**, by all accounts. **Converging trendlines**...

We're thinking the basket hits its head "to the penny" at the **15-month downtrend line**...

WMT-HD-COST-TJX-TGT Equal-Weight 5-stock Basket



Source: Worth Charting, Bloomberg, FactSet

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Chart 5 of 8:

WMT-HD-COST-TJX-TGT 5-Stock Equal-Weight Basket vs the S&P 500 Index

Comparative chart: 2014 to present... too much of a good thing, to our eye.

WMT-HD-COST-TJX-TGT Equal-Weight 5-stock Basket +191%
S&P 500 Index +118%



Source: Worth Charting, Bloomberg, FactSet

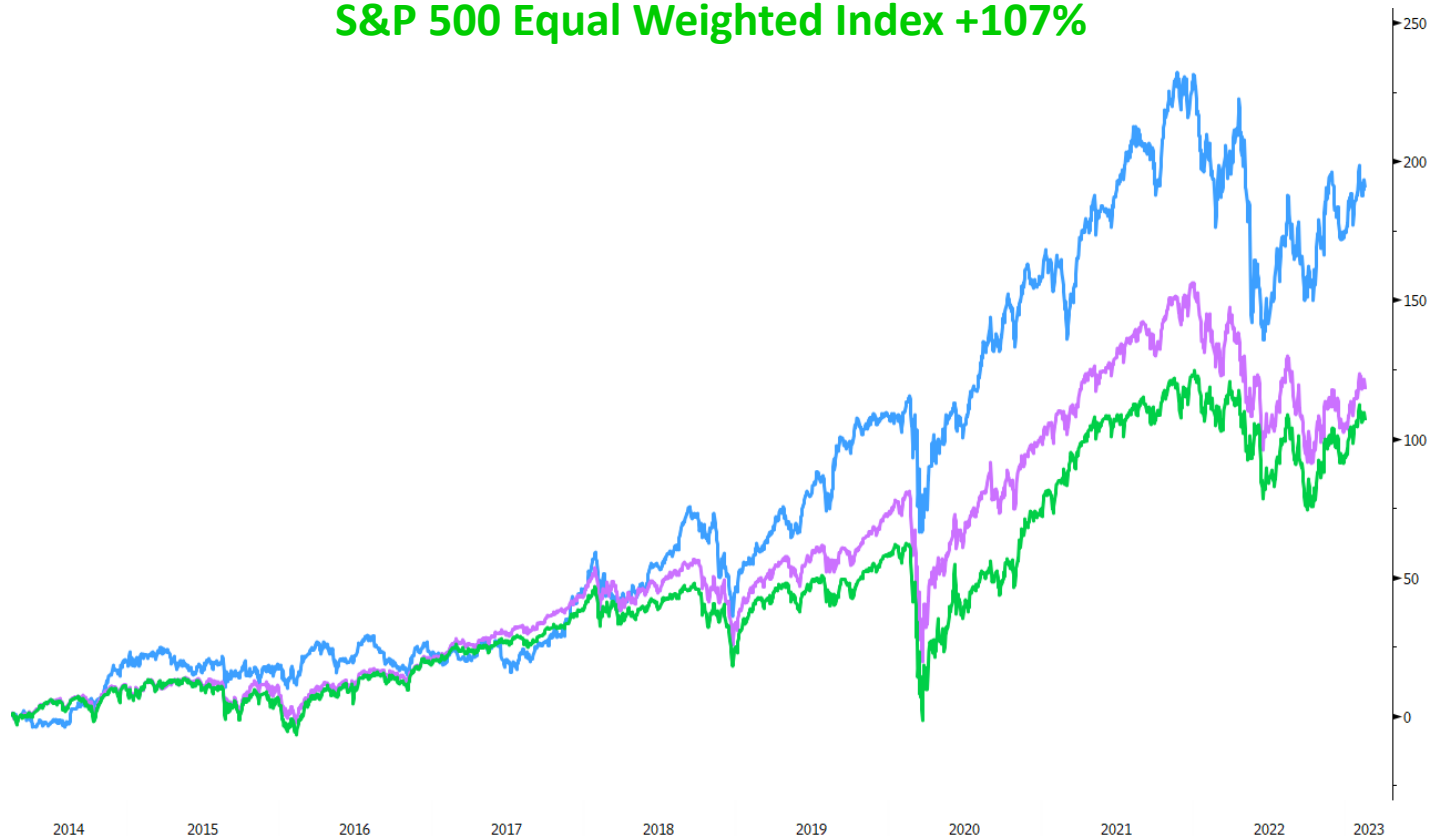
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Chart 6 of 8:

WMT-HD-COST-TJX-TGT 5-Stock Equal-Weight Basket vs the S&P 500 Index

Comparative chart: 2014 to present... with the S&P 500 Equal Weighted Index, included

WMT-HD-COST-TJX-TGT Equal-Weight 5-stock Basket +191%
S&P 500 Index +118%
S&P 500 Equal Weighted Index +107%



Source: Worth Charting, Bloomberg, FactSet

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Chart 7 of 8:

Ratio Chart:

WMT-HD-COST-TJX-TGT 5-Stock Equal-Weight Basket / S&P 500 Index

Depicting the basket's relative performance to the SPX, which peaked 3 years ago....

WMT-HD-COST-TJX-TGT Equal-Weight 5-stock Basket Relative performance to the S&P 500 Index



Source: Worth Charting, Bloomberg, FactSet

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Chart 8 of 8:

Ratio Chart:

WMT-HD-COST-TJX-TGT 5-Stock Equal-Weight Basket / S&P 500 Index

Same chart as on the preceding page, up close. Note the basket's poor relative strength year to date...

WMT-HD-COST-TJX-TGT Equal-Weight 5-stock Basket Relative performance to the S&P 500 Index



Source: Worth Charting, Bloomberg, FactSet

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Which brings us back to the first page of this report and our hunch that the 5-stock equal-weight basket is headed lower in the period immediately ahead...

Source: Worth Charting, Bloomberg, FactSet

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Which brings us back to the first page of this report and our hunch that the 5-stock equal-weight basket is headed lower in the period immediately ahead. At issue is the fact that:

- The basket's chart is an instance of a "rally to a difficult level" right to a well-defined downtrend line in effect since the Basket's peak 15 months ago in November of 2021
- The basket's relative performance to the market peaked three years ago; further, despite the basket's having bottomed in June (vs Oct for the SPX) and having traded higher since, its 2023 year-to-date relative performance is poor

In any event, all will be revealed soon enough. And, to be sure, if and as these 5 big box retailers were to 'pop' in response to earnings, then it is quite likely that we are wrong and that the S&P 500 is headed still higher...

The Basket

	Mkt Cap (billions)	Revenues (billions)	EBITDA (billions)	Net Income (billions)	Dividends (billions)
Basket	\$1.116 Trillion	\$1.163 Trillion	\$99.5 Billion	\$46.4 Billion	\$18.1 Billion

	Price/Sales	Price/EBITDA	Price/Earnings	Dividend Yield
Basket	0.96	11.22	24.1	1.62%

Source: Worth Charting, Bloomberg, FactSet



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