SPREE CAPITAL
ADVISERS

Weekend Thoughts 8/6/22

- Information Technology
    - Check Point Software Technologies (CHKP)
        - "consolidation will also take a bigger pace both because it delivers better security and also because most organizations cannot manage the complexity of using tens or even more of different cyber solutions, which is happening in many, many cases."
    - Lattice Semiconductor (LSCC)
        - "We did see some softness in our smallest market, which is consumer electronics. We saw a little bit of end market softness there."
    - Monolithic Power Systems (MPWR)
        - Friendshoring
            - "Clearly, we're transitioning out from the last 20 years of manufacturing from China to other places. And all these infrastructure had to be built up. And we're just like other companies. We're in a transition. . .30% of our revenues still from China. So in the next year or a couple of years later, next year, we probably will be very diversified."
            - "as the capacity restrictions are becoming less of a concern for the market in general, customers are asking for diversification as in a China plus-1 strategy."
            - "that's our customer request. And so we are fully aware of that. And so we engage with all these fabs. And okay, across South Asia and Europe and Korea and Japan."
        - Bookings and cancellations
            - "The rate of a booking and the rate of cancellations and I would say they're very similar in the last few years. I mean last few quarters, yes."
    - ON Semiconductor (ON)
        - "We are seeing unprecedented demand for our products driven by accelerating megatrends of vehicle electrification, ADAS, factory automation and energy infrastructure."
    - Rambus (RMBS)
        - "We have large orders on the books. We have not seen any cancellations on these orders."
    - Varonis Systems (VRNS)
        - "July started strong, and we feel very confident with the second part of the year."
    - Harmonic (HLIT)
        - "Certainly, no broad trend in terms of softness from a backlog and book-to-bill point of view, if we look at the last several quarters in aggregate, we're about where we expected to be."
    - Arista Networks (ANET)
        - "no customer has come to us and said specifically that we got a macro issue or a recession issue and they want to cancel projects."
        - "The enterprise customers are all telling us that things are steady. They all are cautious or worried what others are doing. But we are not seeing any slowdown from customers yet.

        - Cloud capex
            - “I think every company needs to exercise some amount of discipline on expense management. And it's probably one of the first times that the cloud titans and the cloud customers, in general, have had to. But however, we feel good about the CapEx.”
    - ZoomInfo Technologies (ZI)
        - We have seen sales cycles that are somewhat extended relative to sales cycles in Q1, driven by incremental finance and procurement review, but deals are still closing.”
        - “oftentimes, it's the rate of change that causes a problem. So when people are surprised by the macroeconomic environment, they tend to make decisions less quickly. As we see stability in that macroeconomic environment, I actually view that as a modest tailwind for us.”
        - “We are in the earliest days of what we believe is a generational transformation of how businesses go to market with data, insights and a purpose-built software platform, a transformation that we are uniquely positioned to lead. We have the right platform, the integrated data and insights that power that platform, and we are delivering success to our customers as they look for efficiencies and look to consolidate with fewer and fewer strategic vendors.”
        - “I think what we saw in the early days of COVID was somewhat similar. We had an elongating sales cycle with larger deals. But then kind of immediately afterwards, companies realized they needed to be investing in their sales teams and in their go-to-market efforts, that they needed to be investing behind digital transformation. And I think kind of what we see today is similar. We're seeing that same elongation in sales cycles on some deals, specifically larger deals and international deals. But then we are also seeing companies realize that if they are going to get more out of their sales resources that they need to continue to invest in their go-to-market motion. They need to continue to invest in software that drives productivity, specifically for their sales resources, specifically for their marketing resources.”
    - RingCentral (RNG)
        - “trends that we saw in the quarter: one, with sales cycles reverting to pre-COVID levels; and the other one was slightly more cautious buying behavior from larger customers, and that was manifesting itself in smaller initial deal deployments.”
    - Vishay Intertechnology (VSH)
        - “We do not hear signs from any customer that they want to slow down ordering or shipments. They don't want to slow down every -- wherever we -- in our main -- we are talking automotive in reality in Vishay, and we are talking industrial”
    - Cognex Corporation (CGNX)
        - Factory and distribution center automation
            - “slowdown in the market and deferred business that we're seeing in logistics. It's a phenomenon. I think we've all been reading about it. In fact, I think it was sort of just emerging at the last earnings call when we last spoke to you, where large players in logistics were really talking about slowing down and even shedding some employees and deferring build-out of distribution centers.”
    - Gartner (IT)
        - “we have seen longer contracting cycles. I would say we see escalations, it's more likely that a contract will be reviewed by a CFO than it was a year ago.”

- Health Care
    - Waters Corporation (WAT)
        - "From a demand perspective, it's really very much broad-based. I mean, pharma grew 10%, industrial 8% and you also saw academia grow 16%. And for the first half of the year, all 3 of our end market segments are now in the double-digit range, right? So pharma is 14%, industrial and applied is at 12% and academic and government at 10%. So we see really broad-based demand across our end markets."
    - IDEXX Laboratories (IDXX)
        - "vet practices continue to work through capacity constraints and the lapping of high 2021 demand levels supported by the significant growth in new pets during the pandemic. Given these factors in a challenging global economic climate, our midpoint organic growth outlook incorporates expectations for continued pressure on clinical visit levels in the second half of 2022."
        - "In Q2, same-store clinical visits were an estimated 3.1% below strong prior year levels. This compares to an updated estimate of 1.4% declines in Q1 and 2.5% to 3% increases in the second half of 2021. Our analysis points to two primary factors driving the recent change in U.S. clinical visit growth trends. Reduction in vet clinic capacity from peak pandemic levels and the continued lapping of the significant step-up in demand for pet health care during the pandemic, including benefits from the 10% increase in the pet population in 2020 and 2021."
- Consumer Discretionary
    - Leggett & Platt (LEG)
        - "that we've seen some step downs over the course of the last 9 months or so, but it's been really consistent, especially as we move through the second quarter."
        - "we've been more – seeing more negative impact on the Home Furniture side, particularly at the low end recently."
    - Starbucks (SBUX)
        - "we are not currently seeing any measurable reduction in customer spending or any evidence of customers trading down"
    - Yum Brands (YUM)
        - "But in terms of the global consumer, we do think they're getting more cautious. We are leaning more in on value offerings all around the world, and that also is playing out in the United States. If you look at the U.S. I think what's happened over the last quarter is this -- the low-income consumer pulling back has become more pronounced."
    - Papa Johns (PZZA)
        - "And then in June, we saw a bit of a slowdown, which we attribute to the travel behaviors that are returning. . .So I think there is a return to some of the seasonality that we've seen in the past, and that's why we're really bullish on the back half once we get through this these tougher comps in the summer months, we see an acceleration in our business."
    - Shake Shack (SHAK)
        - "while we saw some strength from the higher-end guests in June, we did see, especially in certain pockets, a little bit more weakness from the lower-end consumer. We also saw what we talked about kind of people who -- we saw increased traffic from people who live close to our Shacks, but we did see some pressure on the periphery from people who -- or guests to make kind of like longer road trips. We saw that in June with the spike in gas prices that kind of was a little

bit weaker for us."

- Middleby Corporation (MIDD)
  - "we're so excited about the next couple of years in commercial is no matter the backdrop from a macro standpoint, they still have to figure out how they're going to solve issues like labor, food costs, et cetera, both in -- how do you solve for the increased labor costs? How do you solve for you can't find people? And how do you make an easy place to work in your restaurants."
- Wayfair (W)
  - "The revenue trends, frankly, we are seeing good -- I don't know how to describe, good traction on revenue, meaning we're seeing customers being engaged. The macro is clearly softening. There's been a shift from goods to services."
- Leslie's (LESL)
  - "The change we really saw in Q3 was. . .given the slow start to the season, and comping the chlorine shortage and media coverage from last year, and a consumer that blanked a little, there was some price sensitivity, and the industry reacted with some promotions. It's not typically a promotional-driven industry. We don't expect it to become one, and we think we saw that recovery in July."
- e.l.f. Beauty (ELF)
  - "our consumption continues to be quite strong. And I think -- I know some of the retailers have reported on their overall performance. But even in the context of that, beauty has been a bright spot for them. So I feel beauty is a bright spot for them, and we're particularly well positioned within each of those retailers."
- Uber (UBER)
  - "We actually look at cohorts depending on income levels. And we haven't seen any discernible trends"
  - Capital discipline in VC startups helping scale players
    - "the scale advantages, the global advantages that we brought to some extent sometimes were kind of outshouted by just higher spend by competitors. So in an environment where capital discipline becomes more important, I think the larger players, and we are the largest players, the most diversified players, and we're definitely more diversified than anyone else as far as the kinds of businesses that we are and our global footprint. And then the players who have true platform advantages, which, again, as Uber, really start coming to the floor."
- Marriott International (MAR)
  - Pent up demand for travel continues
    - "While we are closely monitoring consumer and macroeconomic trends, we have yet to see signs of a slowdown in global lodging demand. On the contrary, the pent-up demand for all types of travel, the shift of spending towards experiences versus goods, sustained high levels of employment and the lifting of travel restrictions and opening borders in most markets around the world are fueling travel."
- LCI Industries (LCII)
  - "Current rental platforms like Outdoorsy and RV Share have also recently enabled customers with the option to deliver rental RVs to camp sites directly significantly lessening the hassle involved in the rental process, as well as eliminating the fear that some people associate with towing an RV for the first time. Neither of these [indiscernible] existing before 2020, and we expect these types of advancements to

continue to help support the secular shift in popularity towards RVing and the outdoor lifestyle."

- Camping World Holdings (CWH)
  - "So the interest for the lifestyle is big. We think we're garnering a larger share of that interest, which is obviously indicated by our numbers. But what has happened to be quite candid, is our ability to take that interest and take that demand and take that lead and set the appointment and have them come in and convert to a sale has been a little harder. We're having to work harder for that transaction, we're having to move people around. And in some cases, we're having to move people to a lower priced unit to ensure that affordability is right for them."
- Caesars Entertainment (CZR)
  - "we remain encouraged regarding improving group and convention trends in Las Vegas, the return of the international consumer as well as the potential for the full recovery of our older demographic consumer"
  - "The average recession since the depression, I think, is 10 months. So we're hoping that we're -- for the end of this current environment. But the consumer continues to hold up quite well for us."
  - "So it is extremely strong. I can't -- there are not strong enough words to convey how well it's going in Vegas for us. . . The June traffic at the airport was record levels as well. . .That's right. June seats in Vegas set a record"
- MGM Resorts International (MGM)
  - "While our second quarter results were nothing short of spectacular, we are, of course, mindful of the marketplace concerns of a potential recession. We also recognize that starting in the back half of the year, we'll be lapping strong comparisons driven by pent-up demand around our reopenings. With all of this in mind, it is important to highlight that we've built an incredibly agile business over the last few years due to COVID and other factors, and we will adjust and pivot quickly if we see any signs of consumer demand slowing. That said, we sit here today, our business and forward-looking pace remains extremely strong. In fact, looking ahead, we continue to be quite bullish on our domestic business outlook based on a number of tailwinds coming in the new year, including a rebound in our convention business, the return of international travel and the lineup of exciting events to Las Vegas."
- Cedar Fair (FUN)
  - "our long lead indicators have never looked better."
  - "The improved levels of in-park guest spending were driven by an increase in transaction counts as well as higher average value per transaction."
  - "we have been able to effectively increase admissionpricing without negatively impacting demand"
  - "We are certainly focused on looking at aspects of our business where maybe we might see a pullback in the behavior of the lower end consumer. . . We're not seeing that yet. And as I mentioned, the per capita spending is still very strong as are those other long lead indicators. Guests are continuing to migrate up to our most expensive ticket, which is the season pass"
- Airbnb (ABNB)
  - "there's just so much pent-up demand for travel and just so much demand for travel in general, that people would like to spend money on the experience of travel and getting out of their home more than on things that we're just continuing to see that

great strength in our business. And then in terms of long-term stays, it continues to be the fastest-growing business by tripling."

- Expedia Group (EXPE)
    - "I think there's no sign that what we've seen that the robust recovery now won't continue for the foreseeable future."
- KAR Auction Services (KAR)
    - "This decline reflected weaker buyer demand as sellers continue to hold out for higher vehicle prices that they have been accustomed to getting over recent quarters. The misalignment between buyer sentiment and seller expectations resulted in reduced conversion rates and lower volumes sold."
    - "if I was to contrast it with Q2 of a year ago, I'd say Q2 of a year ago was unusually strong because if you recall, we were in a sort of an environment where prices were running up, demand was very strong and buyer appetite was sort of higher, was increasing every month, right? And we've kind of had the opposite set of facts here over the last 3 months or so. Where sellers are kind of holding on for high prices and buyers are sort of recognizing that the consumer demand is weakening and for that reason, their appetite is weakening. So that's a set of facts."
- O-I Glass
    - "Market trends clearly favor glass resulting in trend the strongest market fundamentals in over 20 years"
    - "Across Latin America, a structural shift in demand is trend driving sustainable growth. Customers and consumers increasingly favor premium products, and our customers are localizing international brands that had been successfully imported to these markets for several years. Premiumization favors one-way glass containers, while consumer affordability and sustainability considerations are prompting greater use of returnable bottles. For example, glass now holds 50% market share in the Brazil beer category as both one-way and returnable glass gain share."
    - "Glass has demonstrated a strong performance across markets, both on-premise and off-premise over the last few years, redefining long-held assumptions about glass resilience to channel shifts."
    - "Finally, a strong demand is driving increased new product development in glass, which is up about 10% from prepandemic levels according to Mintel data. Clearly, there are many important drivers for continued secular demand growth."

- Industrials
    - Cummins Inc (CMI)
        - "we continue to experience an environment where supply chain is limiting our production in most of our markets. . .Some of those issues have lessened. We continue however to experience constraints, in particular, in the electronics space, microprocessors and other electronic components. . . Well, at one point, last year, we were running probably 4x the normal level of premium freight, and that's come down. It has been that we've seen sequential improvement over the last 3 or 4 quarters, but we're still running 2x to 3x kind of extra costs right now."
        - "At this point, end customer demand is strong. Aftermarket demand is strong. Used truck prices continue to be elevated. And also recall, with higher fuel prices, these more fuel-efficient, next-generation products are attractive to customers. And so we'll continue to stay close to it and monitor what happens. But right now, we see supply being the constraint through this year outside of China."
    - Trane (TT)

    - “orders were very robust in the second quarter really, especially in the commercial HVAC business in America. It's really across all verticals. . So we didn't see any soft spots there.”
- SiteOne Landscape Supply (SITE)
    - “we expect volume, while still healthy, to be less than we originally expected as it appears we have come off peak levels due to the combination of weather, higher prices and general economic uncertainty. As we look out to the rest of the year, we expect these trends to continue.”
    - “And with housing, so it is a strange situation because there's low unemployment, everybody's got jobs. You still have this stay-at-home effect is in place. . .Their home value is up, so they've got plenty of home equity. So those typically drive strong repair and remodel.”
- BlueLinx Holdings (BXC)
    - “Following 2 years of strong growth in the building products industry underpinned by low housing supply and fueled by the global pandemic, the first half of 2022 marked a turning point as several key indicators are pointing towards a slowdown. Moderation from the high demand we experienced since the onset of the pandemic could lead to an easing of supply chains and a more stable environment in which to operate our business.”
- Regal Rexnord (RRX)
    - “from a year-over-year perspective, orders were slightly down. Book bill rates slightly down in second quarter from first quarter, but still more greater than 1. Overall, we're seeing pretty healthy demand. But no question, it's understandable of everything we read in the papers every day that there's increased caution.”
- Illinois Tool Works (ITW)
    - “where we're seeing it, which is a couple of pockets. One is the auto aftermarket business for reasons that are pretty logical related to the gas prices and consumers' discretionary spending in that arena. And then the other is our international construction businesses that we did see a little bit of a pullback.”
- Xylem (XYL)
    - Inflation improving but still there
        - “there's been some headlines on some moderation in commodity pricing. We're still seeing inflation in many of the other categories, freight, labor, overhead, et cetera. And so we're still facing an inflationary environment. But net net, all in, we're going to be in a better place in the second half of the year than we were in the first half.”
    - Margins
        - “historically, when there has been a rollback in material inflation, we've been pretty successful at hanging on to that. So I think almost entirely successful in doing that. But I'm sure there's an exception or 2 here or there. But in the headline numbers, they don't roll back.”
- Caterpillar (CAT)
    - “Dealer inventory remains at the low end of the typical range and rental fleets continue to age as dealers prioritize trying to meet the demand from retail customers. . . Order levels and backlogs remain strong. Dealer inventory levels remain at the low end of the typical range and rental fleets are aging. Finally, infrastructure investment later in the year should be supportive.”
        - “our backlog is up. So again, we haven’t seen cancellations”

    - Energy transition secular tailwind
        - "We continue to believe the energy transition will support increased commodity demand over the medium and long term, expanding our addressable market and providing opportunities for profitable growth.
        - "Well, certainly, our mining customers continue to display capital discipline. Having said that, we're encouraged by the conversations that we're having with our mining customers. They're making decisions based on a very long-term view. And of course, the energy transition is creating perceived additional demand for many commodities moving forward, think about electric vehicles, think about other kinds of minerals that will need to be mined based – to support the energy transition."
    - Financing share
        - "rising rates typically do benefit banks from a competitive financing perspective. We saw this play out in the second quarter as our share of machines financed declined slightly."
- WESCO International (WCC)
    - "We are not seeing any indication in any of the array of leading indicators and KPIs we use in terms of slowdown occurring with respect to the new WESCO. WESCO Anixter combination, you look at our backlog. If you look at our opportunity pipeline, that's comprised of large degree of cross-sell synergies. You look at our daily sales and margin momentum you look at it sequentially, there's normal seasonality. We are just everything -- the 1 word I would use, I use this to [describe] Q1. It's true for Q2, accelerating. So it's not even -- we're just seeing an acceleration. This is the strongest quarter that WESCO has ever delivered. I send that in Q1, we delivered at encore in Q2."
- Eaton Companies (ETN)
    - "nearly all of our end markets remain strong, but we're seeing significant strength in commercial, in industrial and data centers, and residential markets and our Electrical businesses"
    - "note, we really have not seen a slowdown in any of our markets. We continue tosee strong growth in orders and backlogs are at record levels. And I'd say that the secular growth trends that we've discussed in the past, including energy transition, are clearly showing up in our order book."
    - So despite all the talk about a potential slowdown and downturn in the market, and we'll be ready if we have one, we're focused on investing to capitalize on what we see as the super growth cycle, driven by favorable trends and the recovery in some of our other end markets."
    - Energy Infrastructure
        - "If you think about where those dollars are going to go in, whether it's energy transition, whether it's related to EVs, whether it's related to building out some of our critical infrastructure, water, wastewater, airports, I mean, it is certainly a net positive for our company overall. And I'd say that at this juncture, we've not factored obviously any of that in. That becomes naturally an additional tailwind for the company."
    - Inflation
        - "And so we're just seeing a lot of inflation in almost every aspect of the economy, that I would say that even if commodity costs come off a little bit, these other factors are going to keep prices and inflation at probably higher

levels than you would probably imagine at first blush. So I'd say long story short, we think it's going to be fairly sticky, which is consistent with the way it's behaved historically."

    - Investment cycle
        - "the really important secular growth trends that we're looking in the face of energy transition, digitalization, electrification, every one of these initiatives requires R&D that we're investing in, to be ready for energy transition and building out the electrical charging infrastructure across the U.S. and the rest of the world. And so we're definitely in an investment cycle and putting more capital into the business today than we probably have in many, many years. I'd say the Aerospace and Vehicle is largely different. We have -- we really have the investments we need there because we're still well below peak volume levels. But in the Electrical business, without a doubt, we're making big investments in capacity expansion."
  - Waste Connections (WCN)
    - "Underlying volumes were up slightly in Q2, about as expected on reported volumes down about 70 basis points, with a year-over-year decrease attributable to the expiration of 2 poor quality municipal contracts noted in earlier periods."
  - Installed Building Products (IBP)
    - M&A opportunity picking up
        - "our ability to get deals done and, kind of, in the box or the parameters in which we place deals, hasn't changed at all. I would say that the inbound inquiries as to whether we would have an interest, have ticked up a bit and are coming from a little further afield in terms of, kind of, not necessarily being right down the fairway on what we're typically looking at doing. So, I guess a shorter answer to your question is, yeah, there's a few more sellers than there were before in a broader category knocking on our door. . .our near-term pipeline is very heavily weighted towards insulation deals. . . here's definitely an increase in inbound activity from non-traditional sellers for us. So companies that we haven't had a significant relationship with them, that we've been sort of nurturing, if you will, over time. And I think that's what you're seeing in this market right now, so those sort of inbound atypical calls for us. But as Jeff mentioned, I mean, a lot of those we're looking at with the very jaded eyes, so to speak, and really like the fact that the pipeline right now has a lot of insulation deals in them."
- Real Estate
  - Builders FirstSource (BLDR)
    - M&A
        - "we expect tohave between $7 billion and $10 billion of capital to deploy through 2025. . .And given our bulletproof balance sheet, expect us to lean in opportunistically on M&A in a more challenged market. . .We remain leaders in a highly fragmented industry with the opportunity to be the acquirer of choice in the event of market dislocations"
    - State of the market
        - "Our industry is clearly experiencing pockets of deceleration. We've all seen mortgage rates rising single-family starts forecast coming down in the back half of this year and cancellation rates increasing."
    - Performance in a recession

        - “Over $2.5 billion of free cash flow. And as you know, in a slowing environment, that free cash flow will accelerate as we unwind working capital. But importantly, we've been talking for several quarters here about any demand shift or decline being short-lived, certainly relative to what happened in '07. And two key reasons why. First, the demographic shift. We've talked a lot about the millennials driving a lot of the starts over the last few years. We think they're driving about 30% of the housing starts, and that demand is much stronger than it was, say, in 2007. And secondly and importantly, over the last decade plus, we've had a huge underbilling in this industry. So that demand is not going away. We've underserved the market somewhere between 2 million and 6 million single-family homes over the last 12 to 15 years. So we think any of that recessionary environment will power through that through the long term. So that's why we're very bullish on where the industry ends up over the long term.”
- Floor & Décor Holdings (FDN)
    - “Inflation is high and we know people are spending out of their savings and eventually that will stop as well. So we're just trying to be prudent and expect that as we go into the fourth quarter, that things may slow a bit.”
- JELD-WEN Holding (JELD)
    - “we've seen retail softness earlier here, certainly slowed in the second half. We tend to see a more quicker reaction in the retail.”
- Generac (GNRC)
    - “Well, new home construction is slowing, but again. . .There's just a lot of housing stock out there in a lot of areas of the country that are struggling with power quality. So we don't really see -- and we're not hearing anything directly from channel partners about that. The only thing we do hear from them is that more home-builders want to offer the product as a feature, the potential -- not necessarily a standard feature but certainly as a feature to the people who are looking to build a home.”
- Simon Property Group (SPG)
    - “the higher-end folks, there's no glut of inventory that we see.”
    - “there's no question the consumer that is pressed on discretionary income is dealing with a very difficult situation with food, obviously, gas and dwelling. So -- and they're reining in their spend. So there's no question about that. But we're -- but we haven't really seen that at all in kind of the better brands. And like I mentioned earlier, SPARC, like the Brooks Brothers, the Lockheeds of the world are doing very well. But where you do see it a little bit is in the value-oriented retailer or the younger consumer that suddenly gas has taken a lot out of the pocket book.”
- Vornado Realty Trust (VNO)
    - “it seems like the Fed's efforts are beginning to have their desire to fit. There are signs of a slowdown all around a rapidly slowing housing market, falling consumer confidence, and companies announcing hiring pauses or even layoffs. The inverted yield curve signals market participants expect a recession and the forward yield curve predicts that rates will come back down within a couple of years.”
    - “I think it looks to me like we're on the foothills of a recession. We are in a don't say against the Fed mode, which I think probably everybody is. As I said, we're in the foothills of a business correction.”
    - “We expect rates to come down perhaps quite substantially depending upon what

the depth of the business slowdown is."

- Materials
  - Mosaic (MOS)
    - Agricultural commodity prices
      - "This situation has amplified food security concerns and is resulting in protectionist government policies that will likely drive commodity prices even higher."
      - "We expect fertilizer supply to remain extremely tight for the foreseeable future as global crop prices support demand. And with these geopolitical situations restricting both fertilizer production and trade flows, we expect this to continue for some time."
    - Supply response
      - "On the demand side, we expect global shipments of potash and phosphates to be down from 2021, but the cause of this is availability, not affordability. . . With recent disruptions to global fertilizer supply, a situation we believe could extend for some time, we are also actively exploring debottlenecking opportunities to increase our fertilizer production as quickly as possible. . . Together, Belarus and Russia represent close to 40% of the global potash market. . . That's why we're pushing ahead with our debottlenecking plans and expect others to do the same."
    - Farmer incomes
      - "If there's anything that's inhibiting grower demand, it's availability of nutrients, not affordability. With near-term corn at $8.20 a bushel, near-term soybeans at $16-plus a bushel and palm oil at MYR 7,000 to MYR 8,000 per tonne, global growers are seeing solid profitability levels."
    - Green energy battery end markets
      - "while electric vehicles have been the focus, stationary batteries for wind and solar power becoming more and more important because of the variability of those power sources. And while the nickel cad, lithium, nickel, cobalt batteries are probably smaller and lighter. If you've got a nonrestricted area, these lithium-ion phosphates may be the long-term solution."
  - Univar Solutions (UNVR)
    - "We think that prices are going to stabilize. . .we expect prices to be more the 2021 levels and the 2019 levels. . .So we think there will be a settling of prices, but no rapid deflation. . . I don't see any way that you can get rapid deflation given just how tight the balance is and outside the balance looks like it's going to be. I mean we are really in a very, very balanced supply demand situation and any good storm could change that in a heartbeat. . . we made some and nonrecurring profits, we said around $110 million. We expect that to -- not to be able to do that next year."
  - Huntsman (HUN)
    - "In the Americas, negative growth was driven by some weakness in consumer-related end markets, primarily furniture"
  - CF Industries (CF)
    - "Looking ahead, in the near term, we expect global nitrogen demand to be underpinned by the ongoing need to replenish global grain stocks. Longer term, we anticipate meaningful new demand to develop from low-carbon ammonia in clean energy applications beginning in the next couple of years. Over this period, we

believe that global LNG market will remain structurally tight as European and Asian economies compete for scarce LNG cargoes, keeping natural gas prices high in these regions, which should support continued wide energy spreads favoring North American producers”

  - DuPont de Nemours (DD)
    - “Overall, customer demand remained strong across our key end markets. . .we saw continued strong demand during the quarter in key end markets, with volumes higher than our expectations coming into the quarter. We are still seeing solid demand, and our order book is sound in most of our end markets. However, future uncertainties continue to exist in the macro environment. . .we're not naive. We see data points out there. And obviously, we're doing recession planning, just to be ready if things do soften up. But at this point in time, I'm not seeing it.”
    - “with the price/cost thing but where we can benefit from it. . .But that -- by the way, that's interesting. And this -- if a recession hits, that's the one thing that is very, very different for companies like ours and many others, where in the past, you didn't have this dynamic. You had a recession, you were cutting your costs or whatever you did. And this time, you have -- this is probably the single biggest dynamic that improved financial performance that clearly we have and many, many global companies have.”
- Labor market reads
  - Kforce (KFRC)
    - Resillience in recession
      - “Flex revenues in our Technology business, which comprised roughly 50% of overall revenue at the time was only down 7% during the 2008-2009 financial crisis, and in 2020, comprised 75% of overall revenues and was virtually flat when economic growth abruptly contracted. The growing strength in the secular drivers of the demand in technology, which the pandemic has only accelerated further, gives us confidence that we are relatively insulated during adverse economic times. Technology remains core to all business strategies regardless of industry and we don't see that changing.”
    - Wage inflation in tech
      - “Yes. I would say what we've seen from a wage inflation standpoint is, 2021 -- in the early part of 2022, we're probably at the highest levels of wage inflation that I've seen in my 34 years in this industry. . .And what we started to see is more moderation there. So while wages are still continuing to inflate, they're not deflating at the same pace that we were seeing. And I mean, even when I look back to the dot-com era, which was probably the highest wage inflation environment that we had experienced from that point. And really, we've never seen anything comparable to the dot-com error. What we experienced these last probably 18 months or even unlike anything we experienced there, but we do see more moderation coming into play at this point in time.”
  - Insperity (INSP)
    - “that we aren't seeing anything within the metrics in our client base that would indicate that something is changing dramatically right now in the behavior of our clients from an HR perspective. So hiring is continuing, but we thought it's prudent to budget a lower level because of the change in sentiment and the amount of

dialogue that's going on about the potential for change. So we're not seeing anything in the metrics, but we felt like with the sentiment change, we have to at least be prudent and conservative. And so we don't expect the same level of client hiring over the balance of the year that we had in the first half of the year."

    - Covid lockdowns were good training for resilience should a recession come
        - "I think even if we enter into a more difficult economic period, I do think that there are a lot of things that are helping us be more effective than we were and more efficient. So I would expect us to perform better than we did through previous down period."
- Advertising
    - Lamar (LAMR)
        - "apart from notes of caution around a few national accounts, we are not presently seeing signs of a slowdown in our book. That's not to say we will not. But for now, we are still feeling very good about the back half of 2022."
        - "there is sort of a difference between what's going on in your traditional digital platforms that rely on pinpoint accuracy in determining who the viewer is and what their proclivities are online. As you know, Apple has come down with new privacy protocols that have called into question the efficacy of some of those platforms. And so what we're seeing is large national advertisers are pulling back and trying to figure that out. So they're pulling away from the Snaps and Facebooks of the world because, again, privacy protocols have called into question, number one, the pinpoint accuracy on the front end of a buy; and number two, the efficacy on the back end of a buy. . .So I think that is all good for out-of-home in general and Lamar in particular. Now ultimately, those advertisers are going to figure it out, right? They're going to figure out what they want to accomplish in the digital world in social and mobile and search. But for right now, there's just a little bit of confusion out there and large advertisers are stepping back and trying to figure that out."
    - Cars.com (CARS)
        - "As a result of the production challenges, OEMs are limiting their advertising and promotional spending for the remainder of 2022."
    - Townsquare Media (TSQ)
        - "We expect auto headwinds to continue as we do not anticipate auto advertising to recover until at the earliest sometime in 2023 and potentially not until 2024."
        - "to date, we haven't seen any meaningful impact or advertising pullback. And June was actually stronger than May. Obviously, consumer spending continues to be strong. Manufacturing data released yesterday, continues to be strong. So in our view, [there's so] much uncertainty almost -- when the war broke out earlier in the year, late Q1 and then all the talk about inflation and high gas prices, we saw more hesitancy from our advertisers in terms of just discussions because it was a little bit more unknown and, I think, potentially a little murkier at that point. And then we saw June actually accelerate and every month in the quarter get better. So right now, we're feeling quite good. . . So there's definitely education and discussion with advertisers like there always is. But with the consumer spending being as strong as it is, our advertising business as well as our overall business for the Q3 and the back half of the year is looking quite nice."
- Economic Forecasts worth listening to
    - Loews Corporation (L)
        - "I have a hunch that we may be in for what I would call a full employment recession.

The current unemployment rate is 3.6% and job growth for the past 1.5 years has averaged 400,000 new jobs per month. While job openings are about twice the number of job seekers, so there's plenty of room for a decline in the demand for labor, but for unemployed people to still find a new job. . .I can see the state of affairs continuing for several more quarters where real wages are declining, but employment is increasing. This might give the Fed the time it needs to engineer a soft landing, whereby unemployment doesn't go above 5%, while at the same time, inflation is given a chance to come down. No, I don't expect that we will see 2% inflation in the coming 12 months. But I can foresee that there will be a significant reduction in inflation in the coming 6 to 12 months and that we might be able to avoid the truly damaging wage price inflation spiral that was so problematic in the 1970s. . .I don't foresee a deep and debilitating recession. Rather, I can imagine that the slowdown will be relatively shallow, which would be consistent with a full employment recession. The reason I've come to this conclusion is that we don't seem to have too many excesses in the economy or our financial institutions. There hasn't been rampant investment in housing and the financial institutions are in reasonably good shape and are seemingly not overextended. So overall, I foresee a recession that I would characterize as benign."

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