



Bubble Monitor - Asset Class Performance							
<i>Change Over Preceding Week or Preceding Period</i>							
Stocks	9/21/23	Weekly	Monthly	Currency	9/21/23	Weekly	Monthly
S&P 500	4,327	-3.9%	-1.4%	DXY (USD Index)	105.40	0.0%	1.8%
Nasdaq	13,266	-4.7%	-1.7%	Bitcoin USD	\$26,533	-0.2%	2.6%
Russell 2000	177	-4.6%	-4.0%	Ethereum USD	\$1,585	-2.7%	-2.8%
EEM - Emerging Markets	38	-3.2%	-1.2%	Money Supply			
VIX - Volatility Index	\$17	34.5%	1.6%	2 Year Treasury Rate	5.15%	0.1%	0.1%
Commodities				10 Year Treasury Rate	4.50%	0.2%	0.2%
Crude Oil	\$90	0.1%	13.4%	CPI-U*	307.03	3.7%	
Gold oz.	\$1,920	0.5%	1.2%	M1 (\$B)*	\$18,447	-10.4%	
Silver oz.	\$24	4.1%	1.6%	M2 (\$B)*	\$20,903	-3.7%	
Platinum oz.	\$925	1.9%	1.9%	Fed Bal. Sheet, Assets, (\$B)	\$8,024	-0.9%	-1.4%
Copper lb.	\$4	-2.4%	-0.5%	Economic Activity			
RR Commodity Index*	176	11.6%		New Orders Manuf. Goods			-2.1%
Real Estate				Unfilled Orders Manuf. Goods			0.5%
VNQ - Real Estate Index	\$78	-5.0%	-2.1%	Unemployment*	3.80%	0.1%	
Zillow Avg Rent*	\$2,052	3.3%		U6 Unemployment*	7.00%	0.1%	

* Y/Y change for latest data available

September 22, 2023

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Walmart Investor Presentation: Inflation Here to Stay ([View Full](#))

While general merchandise prices are lower y/y, they remain elevated compared to 2 years ago. As Walmart does not believe general merchandise and food (dry grocery) & consumable prices are ever going to completely disinflate, management suggests the need for a country-wide wage increase rebalancing.

Macro/Consumer

- While employment, wage increases, and pockets of disinflation have helped consumers, there is some behavioral change for those under pressure. In any case, Walmart is well positioned to serve value-conscious consumers who are using more excess income to buy general merchandise.
- While consumers are purchasing smaller pack sizes & moving to private brands, Walmart has been able to attract a wide range of income cohorts & reported strong back-to-school results and good momentum for a strong holiday season.

Positioning

- Walmart U.S. is well positioned given: its price competitiveness; investments in e-commerce & tech; and high wages paid to its staff.
- Access benefits from curbside pickup & various forms of delivery.
- The company seeks to expand its basket by pursuing growth opportunities in apparel & home.

Margin Expansion

- Inventory management & supply-chain productivity allow the company to keep prices low while also driving faster operating income growth relative to sales.

Walmart Inc.	3Q22	4Q22	1Q23	2Q23	LTM
Total Revenues \$MM	\$152,813	\$164,048	\$152,301	\$161,632	\$630,794
Total Revenues / CAGR 1Y	8.7%	7.3%	7.6%	5.7%	7.3%
Gross Profit Margin %	24.3%	23.5%	24.3%	24.6%	24.2%
SG&A Margin %	20.4%	19.7%	20.2%	20.1%	20.1%
EBITDA Margin %	5.7%	5.6%	6.0%	6.3%	5.9%
Capex as % of Revenues	3.0%	2.9%	2.9%	3.0%	3.0%
Free Cash Flow/Revenue	1.2%	5.1%	0.1%	5.4%	3.0%
Return on Total Capital	9.9%	10.8%	10.7%	12.3%	10.6%
Net Debt / EBITDA	1.5	1.3	1.4	1.2	1.3
EV / EBITDA (LTM)	12.2	11.8	11.8	11.8	12.4





The Problem with Investment Diversification ([View Full](#))

Every investment advisor and business student knows that portfolio diversification is key to wealth building. Show me an investor who can beat the S&P 500 Index by buying a few handpicked stocks and I will show you a hedge fund manager in the making. However, there is a huge problem with this strategy that no one is talking about.

- How does Anheuser Busch and Target make such huge marketing miscues that wipe out billions in their market cap and no one gets fired at the top?
- How do ESG mandates get codified in big corporations without any preceding evidence that they will drive profits? How about evidence that they will not at least drive losses?
- The simple answer is that the largest publicly traded companies are owned by investment funds that have pooled together funds from individuals that are far, far removed from influencing the operational decisions of the companies in which they are invested in.
- In other words, there are no shareholders to hold management teams accountable. Instead, management teams and board of directors have become accountable to portfolio managers who don't have the time or inclination to exercise their delegated authority over their well-diversified investment portfolios that may span hundreds of companies.
- Sure, there are a few activist investment managers who will push ESG or other social agendas, but there are precious few who will hold management teams accountable to innovate and drive ROI. We need more of this.

NoBull's fantasy stock game which is under development is currently being run internally. Notably, our student intern (John) is leading the pack with 10 stocks that are performing in line with the S&P. We may have a difficult time recruiting him away from the hedge funds. It's a good thing Wally already has a job with Restaurant Research!!

User	Performance
S&P 500	-3%
John	-3%
Damien	-4%
Phil	-4%
Mike	-6%
Matt	-8%
Danny	-13%
Wally	-18%
Average Performance (excluding S&P)	-8%



Interesting Conversation with Fed Chair Powell ([View Full](#))

Okay, Powell didn't actually take our call, but we offer a transcript of a potential discussion between the Fed Chair and John Q. Public. It's very insightful, so please read on.

Background

- Mr. John Q. Public had a little money left over from his covid relief payments so he thought we would take a vacation with his family to Jackson Hole. Since it was off-season (he doesn't know how to ski anyhow), Mr. Public got a good deal on his reservation at the Jackson Hole Econo Lodge. Also, gas prices were finally low enough for him to afford the 8-hour drive.
- Funny thing was that his trip overlapped Powell's Jackson Hole Symposium in August. Who knew these 2 would meet at the local Cracker Barrel where Mr. Public was treating his family to a meal out while Powell was doing a PR photo shoot to show the world that he is really an everyday man.
- So, this is how John Q. Public came to meet Fed Chair Jerome Powell in the Cracker Barrel men's room in Jackson Hole & here is their private conversation that ensued:

Transcript

- Powell: What a nice place Jackson Hole is...
- Q Public: Yeah, my family loves it here, although we can only afford 2 nights here because the cost of everything is so high.
- Powell: Exactly! This is what I've been telling everyone. We are not being fair to hard-working Americans by tolerating all this inflation.
- Q Public: You can control this? What is your job?
- Powell: Well, it's complicated but let's just say I will fix things for you and your family.
- Q Public: Awesome, how will you do that?
- Powell: It's simple actually! I control interest rates and have an easy-to-understand plan. I will raise interest rates until the ensuing financial pressure causes enough employers to fire their workers.
- Q Public: Wait, I don't want to lose my job. I'll stick with 2-night vacations if I can keep food on the table.
- Powell: That's very selfish of you. We need more volunteers who are willing to sacrifice their paying jobs so that demand for goods & services drops enough to lower the PCE.
- Q Public: PCE? Will you also lose your job to help out?
- Powell: How dare you. I'm very important and, besides, my employer has very deep pockets, so I'm not worried about it.
- Q Public: Yikes, how do I get a job working for you?
- Powell: Did you go to Harvard? Georgetown?
- Q Public: I think I hear my wife calling... Nice chatting!



Archer-Daniels-Midland Investor Presentation ([View Full](#))

Lots of things are going on in ag production, from carbon capture to the huge potential for fiber-based pre/postbiotics. Also, for the first time in 20 - 30 years, the discussions have changed from the price of grains to the methods used to raise or create the product and how much is available.

Background

- Management reports strong demand & margins for biofuels (like ethanol), with an increasing uptake of soybean oil as more renewable green diesel plants come into operations.
- While food demand has remained resilient with strong demand for vegetable oil, milling & flour, Archer Daniels reported some destocking in the pet industry and a slowdown in animal & plant-based proteins. Its sweeteners business has finally stabilized.
- Higher crop prices, which are a function of the Ukraine war & La Niña, have been exacerbated by government intervention. The farmers have reacted by planting more crops which should take 2-3 years to materialize.
- There was no discussion of how future supply will be impacted by: efforts to transform agriculture from current/historical practice into more sustainable, regenerative practices; and the growing demand for low-carbon intensity feedstocks needed to help meet their customers' decarbonization pledges for 2030 or 2050.
- Notably, the company has been doing carbon capture & sequestration since 2011 & already has injected 3.5MM tons underground. There was no discussion about the potential environmental impact of this practice.

Big Expectations for the Fiber Based Pre/Post Biotic Market

- Longer life spans (over the next 5 years, the population of 65+ will exceed those <5) are pressuring health care systems around the world & there is a growing movement to bridge the gap between food & pharmaceuticals with the development of more functional foods. Healthier diets seek to replace fat & sugar with protein & fiber and the company is introducing formulations along these lines.
- While 70% to 80% of U.S. households consume some kind of vitamins vs. just 10% probiotic penetration, management points out that there is much more clinical evidence of the functionality in probiotics (which boosts microbiome gut health) than in vitamins.
- Notably, probiotics are effective for treating obesity, male sterility, insomnia & migraines. Probiotics for cows can reduce methane by 30% while increasing milk supply.
- While it was originally believed that probiotics are microorganisms that need to be alive to provide functionality (either as yogurt or in pill form), postbiotics are also effective and available in cereal bars, baby food, & pet food.



Dollar General Insights from Investor Conference ([View Full](#))

Dollar General intends to drive sales & traffic with promotions that provide low-income consumers the ability to purchase discretionary items.

Insights

- The economic duress of Dollar General’s customers who earn ~\$35k/year is driving them to disregard discretionary offerings at a time when they are purchasing essentials at a very high rate.
- This pressure began in mid-March with SNAP reductions, lower tax refunds, and inflationary pressures which are beginning to moderate.
- Notably, gas prices, which have a significant weight on purchasing decisions, are starting to ramp up.
- While it is crucial for Dollar General that its customers stay employed, higher unemployment drives trade down into its stores.
- Dollar General is very good at serving low-income consumers even in the current competitive retail landscape.
- 80% of its stores are in rural markets with communities of <20,000.
- Dollar General’s customers enjoy shopping within a 3–5-mile proximity of their homes because they tend to know the other customers & staff.
- Speed is very important to its customers who are paid by the hour (when they are not working, they are not getting paid).
- The company continues to see share gains both in consumables & non-consumables, with drug & grocery being the largest opportunity for growth.
- Expected consumer purchases of discretionary items during the holidays should reduce inventory and theft/damage losses while increasing labor efficiency.

Dollar General Corporation	3Q22	4Q22	1Q23	2Q23	LTM
Total Revenues \$MM	\$9,465	\$10,203	\$9,343	\$9,796	\$38,807
Total Revenues / CAGR 1Y	11.1%	17.9%	6.8%	3.9%	9.8%
Gross Profit Margin %	30.5%	30.9%	31.6%	31.1%	31.0%
SG&A Margin %	22.7%	21.7%	23.7%	24.0%	23.0%
EBITDA Margin %	9.7%	11.1%	10.1%	9.2%	10.0%
Capex as % of Revenues	4.4%	4.7%	3.9%	4.1%	4.3%
Free Cash Flow/Revenue	-1.3%	2.5%	-1.8%	1.3%	0.2%
Return on Total Capital	8.3%	10.2%	7.9%	7.2%	8.4%
Net Debt / EBITDA	3.1	2.7	3.2	3.3	3.0
EV / EBITDA (LTM)	12.0	10.8	8.8	8.2	7.6





Cracker Barrel Fiscal 4Q23: Summer Travel Season Weaker Than Expected **[\(View Full\)](#)**

Cracker Barrel's fiscal 4Q23 sales began slowly and came in below expectations as the summer travel season was not as strong as expected. However, this headwind was offset by lower costs that boosted margins during the quarter.

Macro/Consumer

- Cracker Barrel's traffic pressures reflect: a challenged consumer environment; a sub-optimal marketing & media strategy; and a highly competitive environment.
- While its quarterly traffic declined across all age groups, the younger cohort held up better than the value-conscious +65-age group which has not recovered post-covid.
- Traffic from consumers in the \$60 – \$80k income cohort declined the most while the lower-income cohorts held up better due to Cracker Barrel's strong value proposition.

Sales

- Total fiscal 4Q23 revenue increased +0.8% y/y, restaurant revenue increased +2.6% y/y & retail revenue decreased -6.6% y/y.
- Store comps grew +2.4% y/y, driven by +8.7% pricing & +1% mix (supported by upgrade & add-on options) offset by a -7.3% traffic decline.
- Traffic pressures are expected to continue through most of fiscal 1Q24.
- Going forward sales drivers include: Cracker Barrel Rewards (loyalty program launched in late July); coming holiday season favorites (Country Fried Turkey & Cinnamon Roll Pie); value such as Momma's Pancake Breakfast (\$8.99 for pancakes, meat, and eggs); and more effective media & advertising to communicate the brand's core value equity.

Margins

- Strong cost controls (benefitting SG&A margins) & easing inflationary pressures (benefitting gross margins) allowed the company to post a fiscal 4Q23 EBITDA margin improvement despite the traffic declines.
- Commodity deflation was -0.8% y/y, reflecting lower pork & poultry prices and lower freight costs.
- While the company expects commodity & wage inflation to continue moderating, wage inflation is likely to remain elevated compared to historical levels.



How Much Have Menu Prices Really Changed Over the Past 3 Years? ([View Full](#))

A comparison of Arby's drive-thru menu boards from 2020 & 2023 reveals a +26% y/y median increase. Notably, the menu hikes were not uniform, with the biggest % changes implemented on the lowest priced items.

Commentary

A sensible strategy to increase pricing on entry-level menu items helps to lower the gap for premium-priced items (making them appear relatively more affordable).

Comparison of Arby's Menu Board from 2020 to Current: Median Increase 26%												
Sliders				Happy Hours 2-5 PM				Slow Roasted Beef				
Menu Item	2020	2023	% Change	Menu Item	2020	2023	% Change	Menu Item	2020	2023	% Change	
Buffalo Chicken	\$1.49	\$1.99	33.6%	Small Fountain Drink	\$1.00	\$1.00	0.0%	Beef 'N Cheddar	\$4.29	\$5.39	25.6%	
Chicken	\$1.49	\$1.99	33.6%	Reg. Shake	\$1.00	\$1.99	99.0%	Roast Beef	\$3.49	\$4.79	37.2%	
Jalapeno Roast Beef	\$1.49	\$1.99	33.6%	Small Fries	\$1.00	\$1.00	0.0%	French Dip & Swiss	\$4.99	\$6.19	24.0%	
Roast Beef	\$1.49	\$1.99	33.6%	Any Slider	\$1.00	\$1.50	50.0%	Smokehouse Brisket	\$5.69	\$7.19	26.4%	
				Cookie	\$1.00	\$1.50	50.0%					
Crispy Juicy Chicken				Desserts				Sides & Snacks				
Menu Item	2020	2023	% Change	Menu Item	2020	2023	% Change	Menu Item	2020	2023	% Change	
Chicken Bacon Swiss	\$5.49	\$6.59	20.0%	Handcrafted Shakes (reg.)	\$2.59	\$3.29	27.0%	Curly Fries (Med.)	\$2.49	\$2.89	16.1%	
Classic Chicken	\$4.49	\$5.49	22.3%	Cookies	\$1.59	\$1.99	25.2%	Mozzarella Sticks (6 pc.)	\$4.49	\$5.29	17.8%	
Buffalo Chicken	\$4.89	\$6.19	26.6%	Turnovers	\$1.59	\$1.99	25.2%	Jalapeno Bites (6 pc.)	\$4.49	\$5.29	17.8%	
Chicken Tenders (3 pc.)	\$3.99	\$5.39	35.1%									

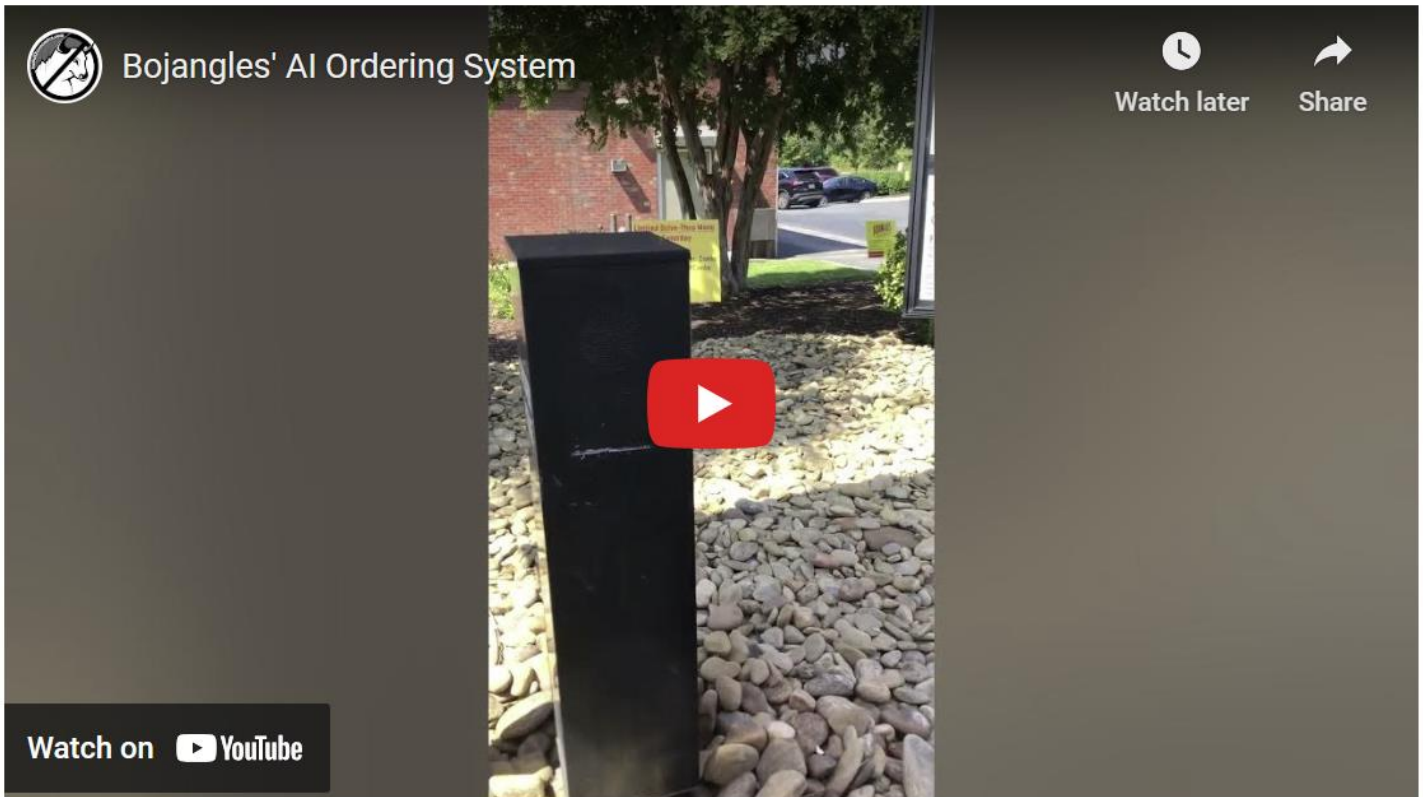
2020 Menu Board (Left) & 2023 Menu Board (Right) in Charlotte Market





AI Menu Ordering Video (View [Video](#))

In this [video](#), we drive thru a Bojangles in Charlotte to test out its AI order-taking software. While we found the order taking accurate, it is notable that the system cannot answer simple questions. However, it was good at upselling. In summary, Bojangles' AI system seems like a good first step with the potential of driving huge labor savings.





- NoBull's **Consumer Research Weekly Newsletter** provides succinct, value-added research covering key corporate & economic insights germane to consumer spending which drives 68% of GDP.
- Make operational & investment decisions based upon the direction of top management teams across the consumer landscape.
- Our Restaurant Research clients have been relying on us to provide them with analyses on \$1B+ restaurant chains since 2000, now trust us to cover the entire consumer landscape for you.

- **Corporate Insights:** Key analyses & intelligence from 85 public consumer companies.
- **Macro Insights:** Succinct analyses of key economic data impacting the consumer landscape.

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