



 **Week of January 16, 2024**

CPI Data Was Warm But PPI Unexpectedly Falls For Third Month

Last week, the Consumer Price Index (CPI) for December came in slightly warm, pushing interest rates up and causing volatility in the equity market.

Data can be choppy month to month, but the key point to remember is that the major trend in inflation remains down.

Producer Prices (PPI) on the other hand came in softer than expected for the third straight month and remains negative.

A key reason why Federal Reserve Chair Jerome Powell has said that interest rates are near or at peak levels is because inflation measures are pointing to lower inflation ahead.

Consumer Price Index (CPI) Year-to-Year: Slight Tick Up But Clearly Remains In A Downtrend



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Producer Price Index (PPI) Year-to-Year: PPI Prices Remains Negative



Tensions In The Middle East Slightly Firming Crude Oil

After U.S. and U.K. air strikes last week against Houthi rebels in Yemen, WTI crude oil saw some firming in price. Oil prices could firm further, near \$77-\$80. This could cause a bit of volatility for equities, but we don't expect it to derail the rally this year. We don't see anything more than a 5% pullback in stocks. But should crude oil trade above \$80 and sustain its price rally, we would then expect a deeper correction. Note: crude oil can firm seasonally (it's winter across half the globe, after all), and seasonality is bullish for oil.

WTI Crude Oil With 200-Day Moving Average and RSI: Oil Can Rally Near \$77-\$80

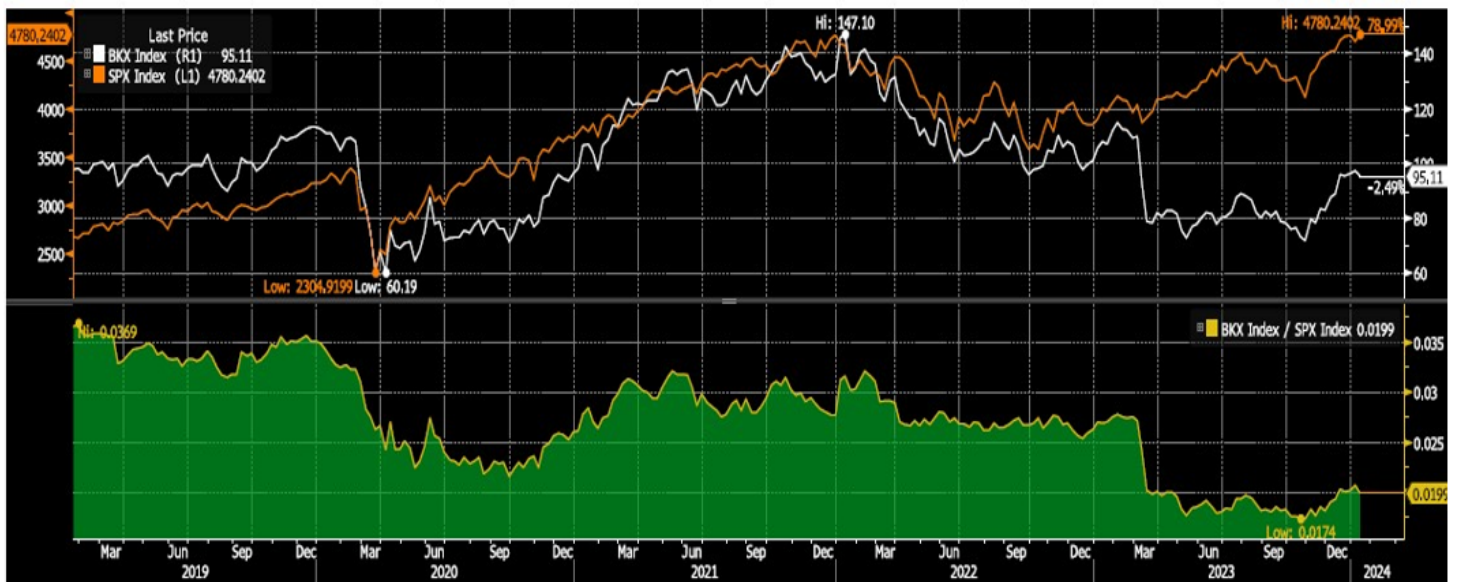


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4Q Earnings Season Begins With Bank Stocks Reporting Generally In Line With Expectations

JPMorgan Chase (JPM), Bank of America (BAC) and Wells Fargo (WFC) all reported last Friday – and all three had a messy quarter, but earnings were generally in line with expectations. These stocks have already rallied sharply (between 20%-40% since October lows) into earnings. A near-term consolidation or selloff is possible. In the accompanying chart, you can see how Banks have underperformed the S&P 500. We believe that if interest rates continue to decline, Banks are likely to continue to rally tactically. While they are inexpensive stocks, Banks face new regulations from the Federal Reserve called Basel III Endgame, which are expected to negatively impact earnings in the future. So, we are renting and not owning Banks.

S&P 500 (S&P 500-White) With KBW Bank Index (BKX-Orange) With Relative Line (Green)



Source: Bloomberg, January 12, 2023

GDPNow Suggesting Q4 GDP Growth Remains Strong At 2.2%

The St. Louis Federal Reserve calculates an estimate for GDP growth each quarter. Currently the annualized real Q4 2023 GDP is estimated to be 2.2%, slower than the 4.9% of Q3 2023 but certainly still running strong.

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GDPNow Q4 Estimate Shows Slowdown But Continued Strength



Source: Federal Reserve Bank of Atlanta, retrieved from FRED, Federal Reserve Bank of St Louis, January 12, 2023

Healthcare May Be Showing A Heartbeat

A sector we have not talked about in some time is Healthcare. The sector is approaching its record all-time high, set in April 2022. This is a defensive sector that, if it breaks to new highs and holds, should have continued upside. The weekly Moving Average Convergence/Divergence (MACD) price momentum indicator shows improvement, pointing to the ability of Healthcare to continue its gains. Keep a healthy watch on this sector.

Healthcare SPDR ETF (XLV) With Weekly MACD: Sector Showing Improvement Watch For A Breakout





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Launch of Bitcoin ETF Causes Near Term Blowoff Top

There is no way to fundamentally analyze Bitcoin (BTC) other than using technical analysis. With the release of 11 new spot Exchange-Traded Funds (ETFs) on BTC last Thursday, the price of BTC spiked near resistance of \$48,000. This was clearly a “buy on the rumor, sell on the news” situation. BTC is likely to consolidate and trade in a range for weeks to months. However, a base pattern appears to be developing, similar to an inverse head and shoulders pattern – which is bullish if the resistance (called the neckline) is broken. We would like to see \$50,000 broken and holding in order to confirm another upside bullish move to test the all-time highs near \$70,000.

Investors must be cautious here as BTC is one of the most volatile asset classes. The SEC has been straightforward in stating that the underlying asset in BTC is highly speculative and very volatile. And the regulators have also noted that BTC is commonly used for illicit activities including money laundering, ransomware, sanctions evasion and terrorist financing.

Bitcoin (BTC) With Blowoff Top; Resistance Near 50,000





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Market Performance

	Last 1/12/2024	Month End 12/29/2023	Month to Date	Quarter End 12/29/2023	Quarter to Date	Year End 12/29/2023	Year to Date	Year Ago 1/12/2023	Year To Year
S&P 500	4783.83	4769.83	0.3%	4769.83	0.3%	4769.83	0.3%	3983.17	20.1%
NASDAQ Composite	14972.76	15011.35	-0.3%	15011.35	-0.3%	15011.35	-0.3%	11001.10	36.1%
NASDAQ 100	409.56	409.52	0.0%	409.52	0.0%	409.52	0.0%	279.05	46.8%
Russell 2000	1950.96	2027.07	-3.8%	2027.07	-3.8%	2027.07	-3.8%	1876.06	4.0%
S&P Consumer Discretionary Sector	1390.05	1418.09	-2.0%	1418.09	-2.0%	1418.09	-2.0%	1076.87	29.1%
S&P Consumer Staples Sector	771.38	762.32	1.2%	762.32	1.2%	762.32	1.2%	777.62	-0.8%
S&P Energy Sector	631.77	640.05	-1.3%	640.05	-1.3%	640.05	-1.3%	689.26	-8.3%
S&P Financial Sector	625.08	626.35	-0.2%	626.35	-0.2%	626.35	-0.2%	596.43	4.8%
S&P Health Care Sector	1637.75	1590.37	3.0%	1590.37	3.0%	1590.37	3.0%	1572.10	4.2%
S&P Industrials Sector	949.41	964.73	-1.6%	964.73	-1.6%	964.73	-1.6%	868.10	9.4%
S&P Information Technology Sector	3417.85	3397.16	0.6%	3397.16	0.6%	3397.16	0.6%	2269.26	50.6%
S&P Materials Sector	526.40	539.62	-2.4%	539.62	-2.4%	539.62	-2.4%	524.63	0.3%
S&P Real Estate Sector	248.37	251.58	-1.3%	251.58	-1.3%	251.58	-1.3%	250.12	-0.7%
S&P Communications Sector	251.52	246.00	2.2%	246.00	2.2%	246.00	2.2%	171.05	47.0%
S&P Utilities Sector	321.70	321.92	-0.1%	321.92	-0.1%	321.92	-0.1%	364.23	-11.7%
S&P 500 Total Return	10363.35	10327.83	0.3%	10327.83	0.3%	10327.83	0.3%	8489.08	22.1%
3 month Treasury Bill Price	98.66	98.66	0.0%	98.66	0.0%	98.66	0.0%	98.85	-0.2%
3 month Treasury Bill Total Return	244.48	243.98	0.2%	243.98	0.2%	243.98	0.2%	232.29	5.3%
10 Year Treasury Bond Future	112.59	112.89	-0.3%	112.89	-0.3%	112.89	-0.3%	115.23	-2.3%
10 Year Treasury Note Total Return	293.95	294.12	-0.1%	294.12	-0.1%	294.12	-0.1%	291.16	1.0%
iShares 20+ Year Treasury Bond ETF	96.52	98.88	-2.4%	98.88	-2.4%	98.88	-2.4%	107.76	-10.4%
S&P Municipal Bond Total Return	272.77	272.94	-0.1%	272.94	-0.1%	272.94	-0.1%	262.76	3.8%
iShares S&P National Municipal Bond NAV	108.29	108.42	-0.1%	108.42	-0.1%	108.42	-0.1%	107.30	0.9%
S&P 500 Investment Grade Corporate Bond Total Return	454.53	455.89	-0.3%	455.89	-0.3%	455.89	-0.3%	436.85	4.0%
S&P Investment Grade Corporate Bond	91.24	91.76	-0.6%	91.76	-0.6%	91.76	-0.6%	91.11	0.2%
S&P Investment Grade Corporate Bond Total Return	480.53	482.66	-0.4%	482.66	-0.4%	482.66	-0.4%	460.40	4.4%
SPDR Bloomberg High Yield Bond ETF	95.12	94.73	0.4%	94.73	0.4%	94.73	0.4%	93.88	1.3%
iShares iBoxx High Yield Corporate Bond ETF	77.70	77.39	0.4%	77.39	0.4%	77.39	0.4%	76.64	1.4%
Gold	2049.06	2062.98	-0.7%	2062.98	-0.7%	2062.98	-0.7%	1897.09	8.0%
Bitcoin	43426.59	41935.34	3.6%	41935.34	3.6%	41935.34	3.6%	18830.98	130.6%

All Eyes On Q4 Earnings Season – Investors Looking For Pockets Of Earnings Growth

This week it's all about corporate earnings – a bellwether for much to come.

Earnings will take center stage for the coming weeks, absorbing and driving much of the market news headlines. Investors will be dissecting every report looking for where earnings pockets are showing growth. Meanwhile, on the economic front this week, we get housing data, reports on industrial and manufacturing production, and, importantly, retail sales data, which will give us more insight into how the consumer is spending.

The Fed Governors will be making the rounds this week, sharing their thoughts – and every comment is worth a listen (and analysis) – because their words can move interest rates, which in turn can move stocks.



Calendar

Mon.

The stock and bond markets are closed for Martin Luther King Jr. Day.

Tue.

8:30 am Empire State manufacturing survey
11:00 am Fed Gov. Christopher Waller speaks
Earnings: Calavo Growers, Fulton Financial, Goldman Sachs, Hancock Whitney, Interactive Brokers, Morgan Stanley, Pinnacle Financial Partners, PNC, Progress Software

Wed.

8:30 am Import price index, U.S. retail sales
9:00 am Fed Vice Chair for Supervision Michael Barr speaks, Fed Gov. Michelle Bowman speaks
9:15 am Business inventories, Capacity utilization, Business inventories
2:00 pm Fed Beige Book
3:00 pm New York Fed President John Williams delivers opening remarks
Earnings: Alcoa, Charles Schwab, Citizens Financial Group, Discover Financial Services, H.B. Fuller, Kinder Morgan, Prologis, Synovus, U.S. Bancorp, Wintrust Financial

Thu.

7:30 am Atlanta Fed President Raphael Bostic speaks
8:30 am Initial jobless claims, Philadelphia Fed manufacturing survey, Housing starts, Building permits
12:05 pm Atlanta Fed President Raphael Bostic speaks
Earnings: Bank OZK, F.N.B. Corp, Fastenal, First Horizon, Home Bancshares, J.B. Hunt Transport, KeyCorp, M&T Bank, Northern Trust, PPG Industries, Texas Capital Bancshares, WNS

Fri.

10:00 am Consumer sentiment (prelim), Existing home sales
1:00 pm Fed Vice Chair for Supervision Michael Barr speaks
4:15 pm San Francisco Fed President Mary Daly speaks
Earnings: Ally Financial, Comerica, Fifth Third, Huntington Banc, Regions Financial, SLB, State Street, Travelers

Source: MarketWatch/Kiplinger's/CNBC

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