

After Seven Straight Winning Weeks, Can Markets Notch Another?

Most investors had one main focus last week: December 13, when the Federal Reserve announced that it would leave the Fed funds rate at the same levels they have occupied since July 26, 2023. Before the announcement, the likelihood of the FOMC leaving rates unchanged was seen as a foregone conclusion, and hence priced into the markets. Because of that, the catalyst was expected to be the Fed's views on the path forward. This includes not just the FOMC's Summary Economic Projections (SEP) and dot plot, but also Fed Chair Jerome Powell's statement and remarks during the press conference.

For weeks before the meeting, Tom Lee, Fundstrat's Head of Research, had argued that not only *could* the Fed make a dovish move, but that it *needed* to do so, asserting that Committee members had been ignoring data that showed inflation cooling. On Wednesday, that is what happened, with the Fed capitulating on inflation and on its "higher for longer" stance: The latest SEP showed significantly lowered median expectations for both inflation and rates in 2023 and 2024. Assuming that the Fed continues its pattern of shifting rates in increments of 0.25%, it suggested three rate cuts in 2024. This sparked a surge in equities, and it sent U.S. 10-year yields plummeting.

For FS Insight members, another important event last week was Head of Technical Strategy Mark Newton's 2024 Outlook. Newton opened by pointing out that while this year's rally was arguably dominated by Technology in the first part of 2023, the rally has broadened recently, with strengthening in Financials, Consumer Discretionary, and Healthcare. "That's a very big positive as we look into 2024," he said as he forecast that while it might not be a straight shot, stocks should climb next year and hit new highs. His year-end 2024 target for the S&P 500 is 5,175.



 Webinar

Tom Lee's 2024 Market Outlook

[Watch the Replay Now](#)



Tom Lee, CFA
Head of Research



Chart of the Week

Percent

| Variable | Median ¹ | | | | |
|---|---------------------|------|------|------|------------|
| | 2023 | 2024 | 2025 | 2026 | Longer run |
| Change in real GDP | 2.6 | 1.4 | 1.8 | 1.9 | 1.8 |
| September projection | 2.1 | 1.5 | 1.8 | 1.8 | 1.8 |
| Unemployment rate | 3.8 | 4.1 | 4.1 | 4.1 | 4.1 |
| September projection | 3.8 | 4.1 | 4.1 | 4.0 | 4.0 |
| PCE inflation | 2.8 | 2.4 | 2.1 | 2.0 | 2.0 |
| September projection | 3.3 | 2.5 | 2.2 | 2.0 | 2.0 |
| Core PCE inflation ⁴ | 3.2 | 2.4 | 2.2 | 2.0 | |
| September projection | 3.7 | 2.6 | 2.3 | 2.0 | |
| Memo: Projected appropriate policy path | | | | | |
| Federal funds rate | 5.4 | 4.6 | 3.6 | 2.9 | 2.5 |
| September projection | 5.6 | 5.1 | 3.9 | 2.9 | 2.5 |

The Federal Reserve capitulated on both inflation and rates on Wednesday's FOMC meeting, lowering expectations on both.

Recent \swarrow FlashInsights

[fsi-flash-insights]

FSI Video: Weekly Highlight



Key incoming data

- ~~12/12 8:30am ET November CPI~~ **Tame**
- ~~12/13 8:30am ET November PPI~~ **Tame**
- ~~12/13 2pm ET FOMC Rate Decision~~ **Tame**
- ~~12/14 8:30am ET November Retail Sales Data~~ **Hot**
- ~~12/15 8:30am ET December Empire Manufacturing Survey~~ **Tame**
- ~~12/15 9:45am ET S&P Global PMI December Prelim~~ **Mixed**
- 12/18 8:30am ET December New York Fed Business Activity Survey
- 12/18 10am ET December NAHB Housing Market Index
- 12/19 9am ET Manheim Used Vehicle Index December Mid-Month
- 12/20 10am ET December Conference Board Consumer Confidence
- 12/21 8:30am ET 3Q T 2023 GDP



- 12/21 8:30am ET December Philly Fed Business Outlook Survey
- 12/22 8:30am ET November PCE
- 12/22 10am ET: U. Mich. Sentiment and Inflation Expectation December Final

▶ Live Webinar and Q&A

Wave Digital Assets: Bridging Traditional Asset Management and Crypto

December 18, 2023 @ 12pm ET



Sean Farrell
Head of Digital Assets,
Fundstrat



Dave Siemer
Co-founder & CEO,
Wave Digital Assets



Stock List Performance

Year to Date Granny Shots Performance





In the News

[fsi-in-the-news]

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