

Lee Sees More Gains in 2024 – But There’s a Wrinkle

When Tom Lee said a year ago that the S&P would end 2023 at 4750, many were inclined to dismiss the prediction as the view of a permabull who had contrarianed himself into a corner. As it turns out, not only did Lee come closer than any strategist out there to predicting the market’s trajectory; he actually came within one-half of one percentage point – less than the allowance for statistical error – to the actual close at 4 PM on the last trading day of the year.

Lee is already focused on the future. He sees the beginning of 2024 as a launching point for further gains. The median max gain over the next 18 months is +22%. There is only one instance, May 2007, when the max further gain was nominal (<5%), while the other 10 instances saw significant further gains.

“Reaching an all-time high is a significant market milestone, and stocks do not suddenly reverse from there,” Lee pointed out.

Is there a wrinkle? There is, actually. Seven out of 11 times, markets first consolidated with a modest drawdown, with overall declines at 2% to 5% – in the current context, that means S&P 500 could pull back to 4,400-4,500 once we make all-time highs. This is consistent with Lee’s 2024 Market Outlook, in which his base case is that the S&P 500 makes most of its gains in 2H2024. Here are some potential reasons for this:

- The markets could get ‘itchy’ waiting for the Fed to cut interest rates, while the Fed itself dithers
- The AI timeline could be pushed out due to a ‘systematic hack’ by malevolent AI
- The equity markets will need to consolidate the parabolic gains from late-2023.



Lee also pointed out that “a drawdown in Feb/March would be consistent with election year seasonal returns. We see a pronounced downturn historically around the Feb/March timeframe, although it is not entirely clear why this happens.”

Webinar

Tom Lee's 2024 Market Outlook

Watch the Replay Now

Tom Lee, CFA
Head of Research

Chart of the Week

Relative Price to Book Ratio and Relative Price Ratio - Russell 2000 / S&P 500

Since 1995



We favor small-caps to outperform in 2024. One reason why is that, as shown above, small-caps on a price-to-book ratio are at 1999 lows, and this should serve as the launch point for a 12-year outperformance cycle.

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Key incoming data

- ~~12/26 9am ET December S&P CoreLogic CS home price~~ **Tame**
- ~~12/26 10:30am ET Dallas Fed December Manufacturing Activity Survey~~ **Tame**
- ~~12/29 9:45am ET December Chicago PMI~~ **Tame**
- 1/02 9:45am ET S&P Global Manufacturing PMI December Final
- 1/03 10am ET December ISM Manufacturing
- 1/03 10am ET JOLTS Job Openings November
- 1/03 2pm ET December FOMC Meeting Minutes
- 1/04 9:45am ET S&P Global Services & Composite PMI December Final
- 1/05 8:30am ET December Jobs Report
- 1/05 10am ET December ISM Services



▶ Live Webinar

Technology & AI Outlook with Tom Lee & Dan Ives

Tuesday, January 9 @ 2pm ET

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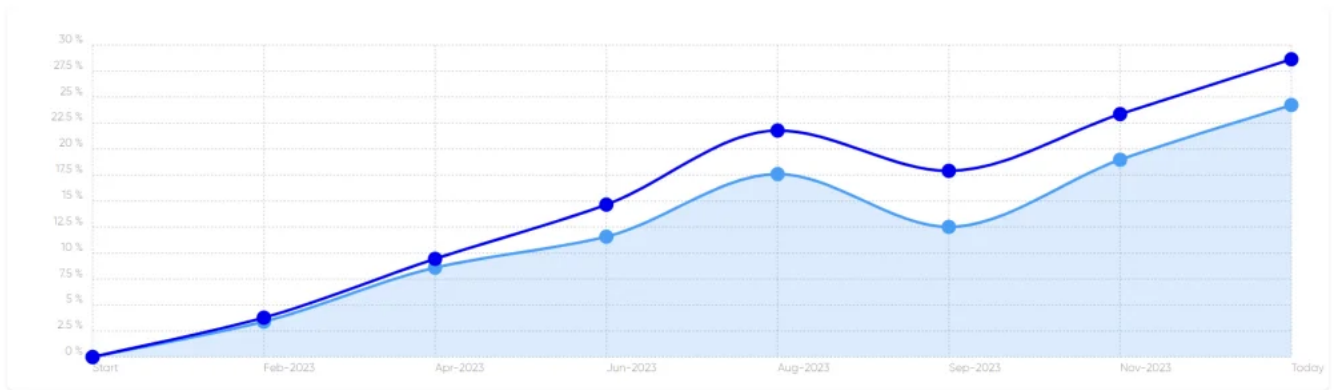
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Managing Director,
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Tom Lee, CFA
Co-founder,
Head of Research
@ Fundstrat

Stock List Performance

Year to Date Granny Shots Performance



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