

## Markets Still Climbing, But What About Tesla?

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Last December, Head of Research Tom Lee called for “new highs in January,” which we saw on January 19. After reaching that milestone, Lee asked his team to look back at what has happened in the past when stocks made an all-time high after having fallen 20% or more beforehand. They found that of the 11 precedent instances, “all 11 times, equities were higher six months later, with a median gain of 8%.” For seven of those 11 times, stocks had made strong gains 18 months later.

Other elements of Lee’s base case for 2024 continue to hold. Last week, we saw the S&P Global Manufacturing PMI climb back to 50.3, and as Head of Data Science Ken Xuan noted, “Because manufacturing PMI is highly correlated to EPS, this is supportive of our expectations for earnings expansion.” Inflation also continues to fall, as the Federal Reserve’s preferred inflation indicator, PCE, showed on Friday. Core PCE came in at the lowest levels since March 2021. In Xuan’s view, “what’s important and interesting about the PCE reading is how the FOMC will view and talk about it next week after their meeting (on Jan 31.)”

Despite the positive macroeconomic news, both Lee and Head of Technical Strategy Mark Newton remain cautious in the near-term. Amidst a discussion about the markets continuing to move up during our weekly huddle, Newton interjected: “It might be helpful to add a little bit of sobriety to this discussion about rising markets and try to put things in context. Yes, it has been a wonderful lift back to all-time highs for the S&P 500 and QQQ, but more than half of all sectors are down for the year. This rally has been largely led by Technology, which certainly is good for the market, but it’s also really important to have those other sectors start to pick up. Financials, to their credit, are starting to play catch-up,” he said, adding, “They continue to be an area that I think will continue to show really good performance throughout this year.”

### ***On Tesla (\$TSLA)***




Tesla (\$TSLA) sank more than 13% last week after the company missed earnings expectations and reported a troubling outlook for the rest of the year. In the face of Tesla's sharp decline, Lee saw encouraging signs of resilience in the stock market: "It's a sign of market strength when the market is holding up even when the eighth-largest stock drops [this much]," he asserted.

Tesla has been a Granny Shot since the list's inception, but on January 17, Lee and Newton flagged it as a "Sleeping Granny". As a reminder, a company's status as a "Sleeping Granny" indicates that while Lee still believes in the company's long-term potential, there is a strong probability of near-term underperformance.

Is this a "buy the dip" situation? Newton is doubtful. From a purely technical standpoint, he allows for the possibility of a brief bounce from current levels, but he wrote that "while price might be at important areas and momentum might be a bit oversold, it would be premature to signal a low. Furthermore, my cycle composite shows further weakness in February." In his view, "One might hold out until more evidence of stabilization occurs."

**Technical Stock Analysis**  
February 1, 2024 @ 2pm ET

 Mark Newton, CMT  
Head of Technical Strategy

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## *Chart of the Week*



## MARKET BREADTH: Why we see improving breadth in 2024

	2022 2023	2024
▪ Fed is dovish?		
▪ Interest rates trend		
▪ Pent-up demand: Housing re-ignites		
▪ Pent-up demand: Capex rises		
▪ Investors flows to equities		

Although markets have reached new highs, market breadth remains narrow, with much of the gains in the S&P 500 coming from the Technology sector. Our Chart of the Week summarizes the reasons that Fundstrat Head of Research Tom Lee believes breadth will improve, driving further gains, particularly in small-caps.

### Recent *Flash Insights*

[fsi-flash-insights]

### FSI Video: Weekly Highlight



### *Key incoming data*

- ~~1/24 9:45am ET S&P Global PMI January Prelim~~ **Mixed**
- ~~1/25 8:30am ET 4QA 2023 GDP~~ **Mixed**
- ~~1/26 8:30am ET December PCE~~ **Tame**
- 1/29 9:30am ET Dallas Fed January Manufacturing Activity Survey
- 1/30 9am ET January S&P CoreLogic CS home price
- 1/30 10am ET January Conference Board Consumer Confidence
- 1/30 10am ET JOLTS Job Openings December
- 1/31 2pm ET FOMC Rate Decision
- 2/01 8:30am ET 4QP 2023 Nonfarm Productivity
- 2/01 9:45am ET S&P Global Manufacturing PMI January Final
- 2/01 10am ET January ISM Manufacturing



- 2/02 8:30am ET January Jobs Report
- 2/02 10am ET: U. Mich. Sentiment and Inflation Expectation January Final

# Tom Lee's Top Stock Picks

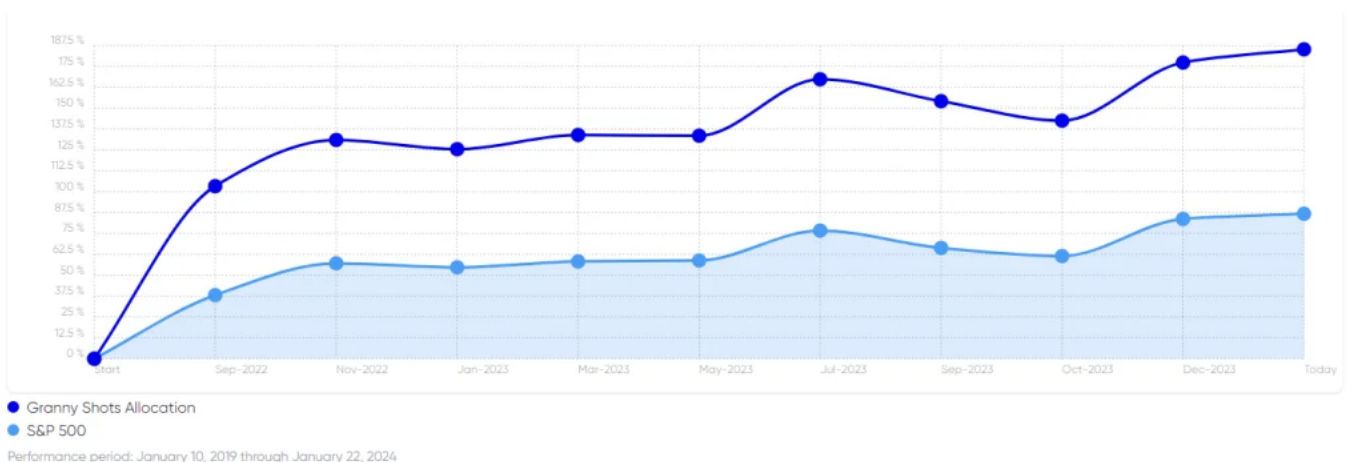
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- "Super Granny" Shots
- SMIDs & Super SMIDs
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## Stock List Performance

Inception to Date Granny Shots Performance ( 10 of January 2019 )





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## *In the News*

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[fsi-in-the-news]

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