

'Sweet Spot' Apparent Post-CPI

As last week began, Fundstrat Head of Research Tom Lee pointed out signs **investors had de-risked to such an extent** in April that they **now needed to re-risk**. Lee further argued that the week's **macroeconomic data** releases could **serve as a catalyst** for further gains in stocks.

This week, the Nasdaq and the S&P 500 hit **new all-time high closes**, and the Dow breached the 40,000 milestone for the first time (closing the week at 40,003.59). Arguably the **biggest driver of this week's rally** was what Lee had described as "one of the most important data releases of 2024" – **April CPI**. Ahead of the data release, Fundstrat Head of Data Science **Ken Xuan's model saw Core CPI MoM coming in at 0.29%**, ever-so slightly below Street expectations of 0.30%. In response, **Lee said**, "Anything below 0.30 would be a huge break in trend" and "**positive for stocks.**"

Xuan and Lee were both correct. Furthermore, a deeper analysis by Lee and his team had them concluding that "the right components [are] showing a slowdown." Shelter slowed modestly to +0.38% MoM vs +0.42% last month, while auto insurance slowed to +1.76% vs +2.58% last month. These two components are 1.87% of the excess YoY inflation, so any further slowing would help pull down CPI.

Fundstrat Head of Technical Strategy **Mark Newton agreed** that "we saw very good action following the CPI report. We've seen a pretty **steady decline in Treasury yields**, along with the US dollar. Both of those are **constructive for risk assets**. "I think we're in a **sweet spot of about three months** where we can actually do very, very well even if in the short run, we don't immediately accelerate."

Sean Farrell, Fundstrat's Head of Digital Asset Strategy, concurred. "Our view since May has been that the **macro environment has been working**. Rates have continued to roll, and the dollar as well. We just needed that CPI print on Wednesday to bring **capital back to the market**, and it came back **in full force**. We saw flows come back to the [BTC] ETF market, and the Coinbase premium is back."

During a recent appearance on CNBC, Lee was asked for his thoughts on the re-emergence of meme-stock trading. "I don't have a view on Gamestop or AMC," he responded, but with regard to the **meme-stock craze**, "I think it's **healthy**. It highlights a segment of retail investors who are learning about the stock market. I think speculation is healthy, and they're not employing a lot of leverage, so to me it's a **sign that stocks have a revival potentially coming**."

▶ Live Webinar with Tom Lee

Granny Shots & Market Update Webinar

The Most Timely of Our Granny Shots

Tuesday, May 21
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Chart of the Week



Table 12. Producer price index percentage changes for the net output of selected industries and their products, not seasonally adjusted — Continued [April 2024]

Title ¹	Indus- cod	Unadjusted 12-month		Unadjusted 1-month percent change ²			Mar. to Apr. ^P
		Nov. to Dec.	Dec. to Jan. ^P	Jan. to Feb. ^P	Feb. to Mar. ^P	Mar. to Apr. ^P	
Direct property and casualty insurers.		1.2	0.4	0.4	0.4	0.1	0.1
Primary services.		1.2	0.4	0.4	0.4	0.1	0.1
Private passenger auto insurance.		1.2	0.8	0.4	0.3	0.1	0.1
Homeowner's insurance.		0.4	0.0	0.9	0.8	0.2	0.2
Commercial auto insurance.		0.0	1.2	0.4	0.4	0.3	0.3
Non-auto liability insurance.		1.4	-0.1	0.0	0.9	-0.1	-0.1
Medical malpractice insurance.		0.0	-1.9	0.0	0.0	-1.0	-1.0
Product and other non-auto liability insurance.		1.6	0.1	0.0	1.0	0.0	0.0
Commercial multiple peril insurance.		5.6	0.0	0.0	0.2	0.0	0.0
Worker's compensation insurance.		0.0	-1.7	0.0	0.0	0.0	0.0
Other property and casualty insurance.		0.0	0.7	0.4	0.1	0.6	0.6

Tuesday's PPI data release showed the PPI property and casualty insurance (auto and home) component declining to 0.1% MoM, compared to 0.4% in January, February, and March. "This is a huge slowing," Lee said, with the auto-insurance sub-component also cooling, as shown in our Chart of the Week. PPI tends to be a leading indicator of CPI, and auto insurance represents a significant share of excess YoY CPI inflation. Thus, this plunge in PPI auto insurance suggests potentially significant declines in future CPI readings.

Recent *Flash Insights*

[fsi-flash-insights]

FSI Video: Weekly Highlight



Key incoming data

- ~~5/13 11:00 AM ET: Apr NYFed 1yr Inf Exp~~ **Tame**
- ~~5/14 6:00 AM ET: Apr Small Business Optimisim Survey~~ **Tame**
- ~~5/14 8:30 AM ET: Apr PPI~~ **Mixed**
- ~~5/15 8:30 AM ET: Apr CPI~~ **Tame**
- ~~5/15 8:30 AM ET: Apr Retail Sales Data~~ **Tame**
- ~~5/15 8:30 AM ET: May Empire Manufacturing Survey~~ **Tame**
- ~~5/15 10:00 AM ET: May NAHB Housing Market Index~~ **Tame**
- ~~5/15 4:00 PM ET: Mar Net TIC Flows~~ **Tame**
- ~~5/16 8:30 AM ET: May Philly Fed Business Outlook~~ **Tame**
- ~~5/17 10:00 AM ET: May M Manheim Used vehicle index~~ **Tame**
- 5/22 10:00 AM ET: Apr Existing Home Sales



- 5/22 2:00 PM ET: May FOMC Meeting Minutes
- 5/23 8:30 AM ET: Apr Chicago Fed Nat Activity Index
- 5/23 9:45 AM ET: Apr F S&P Global Manufacturing PMI
- 5/23 9:45 AM ET: Apr F S&P Global Services PMI
- 5/23 10:00 AM ET: Apr New Home Sales
- 5/24 8:30 AM ET: Apr P Durable Goods Orders
- 5/24 10:00 AM ET: May F U. Mich. Sentiment and Inflation Expectation

Newton's Upticks Stock List

Mark Newton uses technical analysis to identify names in the S&P 500 that offer attractive risk/reward opportunities

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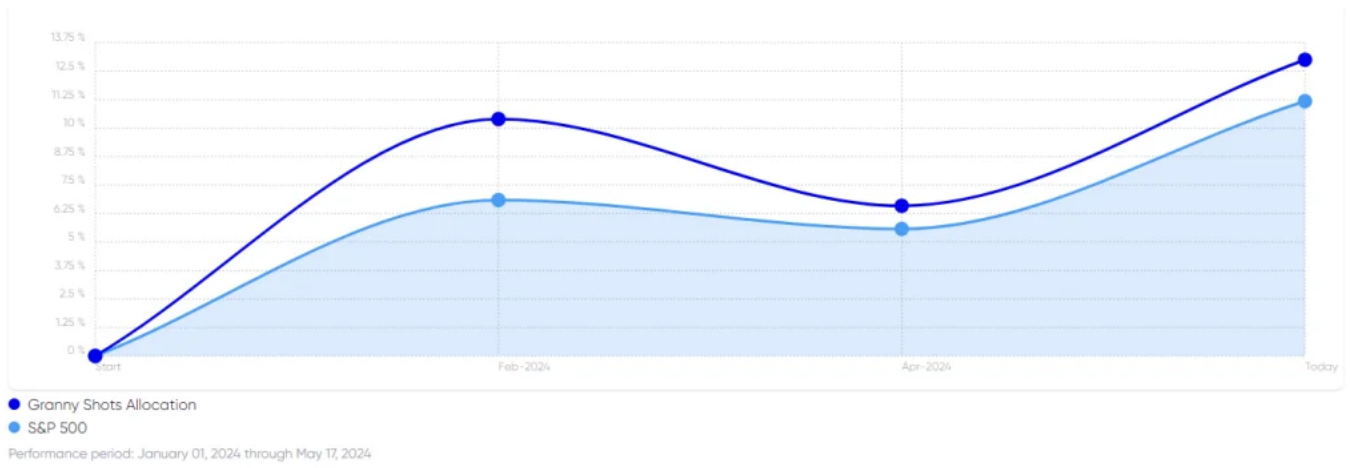
Information Technology	58.04	-0.71%	-1.99%	\$58.735	\$55.00	\$68.00 & \$78.00
Health Care	426.13	2.40%	21.09%	\$319.91	\$385.00	\$503.00 & \$558.00
Industrials	1,146.24	0.49%	53.70%	\$76.76	\$1,010.00	\$1,165.00 & \$1,263.00
Communication Services	565.50	1.73%	2.20%	\$553.31	\$530.00	\$665.00 & \$700.00
Health Care	728.80	3.37%	16.07%	\$436.11	\$600.00	\$670.00 & \$722.00
Health Care	389.21	-0.10%	28.28%	\$303.47	\$345.00	\$435.00 & \$504.00
Consumer Discretionary	426.84	0.77%	0.99%	\$426.03	\$410.00	\$461.00 & \$567.00
Consumer	1,021	-0.54%	26.70%	\$11.24	\$32.00	\$63.00 & \$100.00

*Image does not reflect current stock list

Stock List Performance



Year to Date Granny Shots Performance



In the News

[fsi-in-the-news]

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