

Why Nvidia Could Lift Other Stocks

Nvidia (\$NVDA) soared last week after once again reporting **stellar quarterly results** and releasing **ebullient guidance**. The stock **had been consolidating** since February **before last Wednesday's** earnings release, and Fundstrat Head of Research Tom Lee reminded us that "in the weeks and months **after consolidations**, \$NVDA tends to make a **parabolic rise higher** (see late 2022 and late 2023)." This pattern appears to be repeating again.

For those asserting that Nvidia is at or near a peak, Lee pointed out that in the 1990s, Cisco routers played a key role in the rise of the Internet age, just as Nvidia chips are proving to be critical now as the AI era takes off. "**Cisco** stock ultimately **got to 100 P/E**," Lee pointed out, while **Nvidia's P/E is currently around 30**. This admittedly imperfect comparison is nevertheless sufficiently similar for Lee to assert that, in his view, "this tells us that there's **still a lot of upside left**, both on earnings and multiples."

Head of Technical Strategy Mark Newton agreed with the logic. "**It's Nvidia's world, and everybody else can rent**," he quipped at our weekly research huddle, before sounding a more grounded note. "Nvidia's success and influence on the indices make it easy conclude that everything's great," Newton said. "Well, Technology is great. It has recovered, but **the rest of the market still has some work to do**. **Most of the other sectors**, when we look at them on an equal-weighted basis, were **lower** over the last week."

Lee believes that **Nvidia can change this**. "Both institutions and retail have been raising cash for the last three weeks," Lee pointed out. Based on anecdotal data from his conversations with clients and major investors, "we get the sense that **investors were cautious on stocks ahead of NVDA results**, because of the size and importance of the company to the broader technology thesis," he told us. If that's the case, "a strong report from Nvidia **could pull money off the sidelines**," in Lee's view.



Newton suggested an alternative catalyst. “In my view, it will be important to see whether the **key data in the weeks** to come shows any real softness that would justify all these rate cuts that have been built in, and/or if we get a real growth slowdown. I suspect that the data in the weeks to come is going to allow for a bigger breakdown in **yields**, which are really **starting to tail off and pull back.**”

If so, it's worth remember that recent data shows the two most stubborn components of inflation, auto insurance and shelter, are already cooling. “The data to watch are **next week's April PCE data** and May CPI,” Lee said.

▶ Live Webinar with Tom Lee

Granny Shots & Market Update Webinar

The Most Timely of Our Granny Shots

Tuesday, May 21
2pm ET

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Chart of the Week



Years when S&P 500 1Q is Positive and Apr is Negative
Since 1927

Years where S&P 500 1Q Pos and Apr Neg

Period Performance...

Year	Q1	Apr	Bear Market	May	Jun	May to YE
1 1930	17.2%	-1.0%	x	-1.0%	-16.5%	-38.4%
2 1931	8.8%	-9.6%	x	-13.7%	13.9%	-46.2%
3 1934	6.5%	-1.5%	x	-8.1%	2.1%	-9.2%
4 1936	11.1%	-7.7%		4.6%	3.1%	24.8%
5 1937	4.3%	-8.3%	x	-1.0%	-5.3%	-35.8%
6 1944	3.0%	-1.2%		4.0%	5.1%	11.9%
7 1952	2.5%	-4.3%		2.3%	4.6%	13.9%
8 1956	6.6%	-0.2%		-6.0%	3.9%	-3.5%
9 1976	13.9%	-1.1%		-1.4%	4.1%	5.7%
10 1981	0.2%	-2.3%	x	-0.2%	-1.0%	-7.7%
11 1985	8.0%	-0.5%		5.4%	1.2%	17.5%
12 1986	13.1%	-1.4%		5.0%	1.4%	2.8%
13 1987	20.5%	-1.1%		0.6%	4.8%	-14.3%
14 1993	3.7%	-2.5%		2.3%	0.1%	6.0%
15 2000	2.0%	-3.1%	x	-2.2%	2.4%	-9.1%
16 2004	1.3%	-1.7%		1.2%	1.8%	9.4%
17 2012	12.0%	-0.7%		-6.3%	4.0%	2.0%
18 2024	10.2%	-4.2%		5.5%		

All Instances (N=17)						
Average	7.9%	-2.8%	-0.9%	1.7%	-4.1%	
Median	6.6%	-1.5%	-0.2%	2.4%	2.0%	
Win Ratio			47%	82%	53%	
Ex-Bear (N=11)						
Average	8.7%	-2.1%	1.0%	3.1%	6.9%	
Median	8.0%	-1.2%	2.3%	3.9%	6.0%	
Win Ratio			73%	100%	82%	

Even down April,
May is “good”
June is “better”

		May	Jun	
All Instances (N=17)				
Average	7.9%	-2.8%	-0.9%	1.7%
Median	6.6%	-1.5%	-0.2%	2.4%
Win Ratio			47%	82%
Ex-Bear (N=11)				
Average	8.7%	-2.1%	1.0%	3.1%
Median	8.0%	-1.2%	2.3%	3.9%
Win Ratio			73%	100%

+3.9%

Source: Fundstrat, Bloomberg

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Our Chart of the Week shows that in past bull or flat markets, when the S&P 500 has been positive in the first quarter (as we were this year) and April was down, June has been an up month 100% of the time. Fundstrat’s Tom Lee said, “To me, that’s another reason why stocks are looking pretty good for the next six weeks or so.”

Recent *Flash Insights*

[fsi-flash-insights]

FSI Video: Weekly Highlight



Key incoming data

- 5/22 10:00 AM ET: Apr Existing Home Sales **Tame**
- 5/22 2:00 PM ET: May FOMC Meeting Minutes **Tame**
- 5/23 8:30 AM ET: Apr Chicago Fed Nat Activity Index **Tame**
- 5/23 9:45 AM ET: Apr F S&P Global Manufacturing PMI **Tame**
- 5/23 9:45 AM ET: Apr F S&P Global Services PMI **Tame**
- 5/23 10:00 AM ET: Apr New Home Sales **Tame**
- 5/24 8:30 AM ET: Apr P Durable Goods Orders **Hot**
- 5/24 10:00 AM ET: May F U. Mich. Sentiment and Inflation Expectation **Tame**
- 5/28 9:00 AM ET: Mar S&P CoreLogic CS home price



- 5/28 10:00 AM ET: May Conference Board Consumer Confidence
- 5/28 10:30 AM ET: May Dallas Fed Manuf. Activity Survey
- 5/29 2:00 PM ET: May Fed Releases Beige Book
- 5/30 8:30 AM ET: 1Q S 2024 GDP
- 5/31 8:30 AM ET: Apr PCE Deflator

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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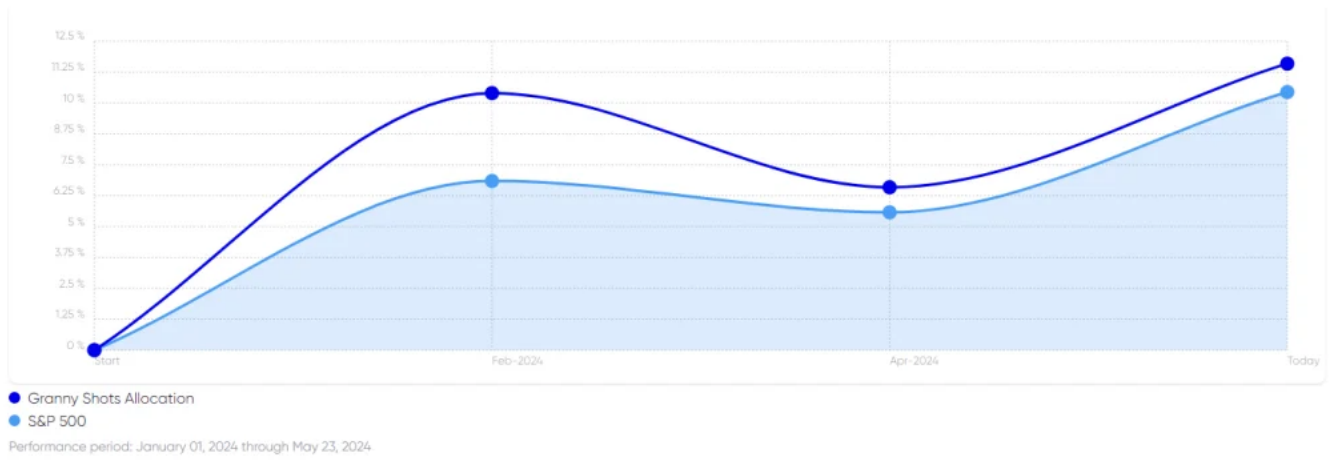
Information Technology	58.04	-0.71%	-1.19%	\$58.725	\$55.00	\$68.00 & \$78.00
Health Care	426.13	2.40%	21.09%	\$351.91	\$385.00	\$503.00 & \$558.00
Industrials	1,146.24	0.49%	53.70%	\$76.76	\$1010.00	\$1,165.00 & \$1,243.00
Communication Services	565.50	1.73%	2.20%	\$553.31	\$530.00	\$640.00 & \$700.00
Health Care	728.80	3.37%	14.57%	\$436.11	\$600.00	\$6700 & \$722.00
Health Care	389.31	-0.10%	28.28%	\$303.47	\$345.00	\$435.00 & \$504.00
Consumer Discretionary	424.84	0.77%	0.19%	\$424.03	\$410.00	\$441.00 & \$547.00
Consumer	11.09	-0.54%	24.70%	\$11.24	\$12.00	\$13.00 & \$16.00

*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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