

Why the VIX is key for investors during Mideast turmoil

The S&P 500 has closed out its third consecutive down week, and stocks were **already under pressure before** the week began, with shrinking expectations for rate cuts from the Fed and a recent CPI print that came in hot. Then on Sunday (April 14), **Iran launched an attack** of unprecedented scale against Israel, launching 300 drones and missiles – although nearly all were successfully intercepted.

As the week began, the S&P 500 was already below its 20-day moving average (20 dma), and right around its 50 dma. Fundstrat Head of Research Tom Lee described the instinct for investors to **de-risk** after the attack as both “knee-jerk” and “**reasonable**,” and although the pullback in markets have **created an attractive longer-term opportunity** in his view, the surge in the **VIX** – a **key index of market volatility**– makes Lee markedly **cautious right now**.

He observed that as long as the immediate risk of escalation evaporates, as we obviously hope it will, **markets will eventually get comfortable** with the idea of a simmering conflict. “That’s an unpleasant and uncomfortable thing to say,” he acknowledged, “but it is reality. This is what happened with the Russia-Ukraine war.” However, “The VIX is telling us that we need to **take this extra slowly**, that there’s still **more de-risking ahead**,” he said, repeating the word “slowly” for added emphasis. Ultimately, and looking tentatively at a time frame of two weeks to a month from now, Lee would like to see VIX make a sustainable move back below 18, with oil prices remaining subdued. And of course, for many reasons, “we want to see further escalation avoided,” he said.

From a **strictly technical perspective**, Head of Technical Strategy Mark Newton is not particularly worried about recent market movements. For him, “the **most important catalyst** from a technical perspective to watch for in the weeks ahead concerns a turn back lower in the **US Dollar and Treasury yields**. It’s thought that when cycles start to project lower for yields between late April and August, that indices should respond positively.

Head of Digital Asset Strategy Sean Farrell is in agreement on yields pulling back some time after May, albeit for different reasons. Post-April 15, some projections suggest that **federal tax receipts could approach record highs** this year, and if so, “We could see [Treasury Secretary Janet] **Yellen** come out and overweight issuance for the rest of this quarter and next quarter towards bills [shorter-term debt] so that she can **reduce the coupon issuance** [longer-term debt].” With **less longer-term debt** being issued than perhaps the market is currently pricing in, this could “bring yields down and smooth out volatility, a **good setup for crypto and equities**.”



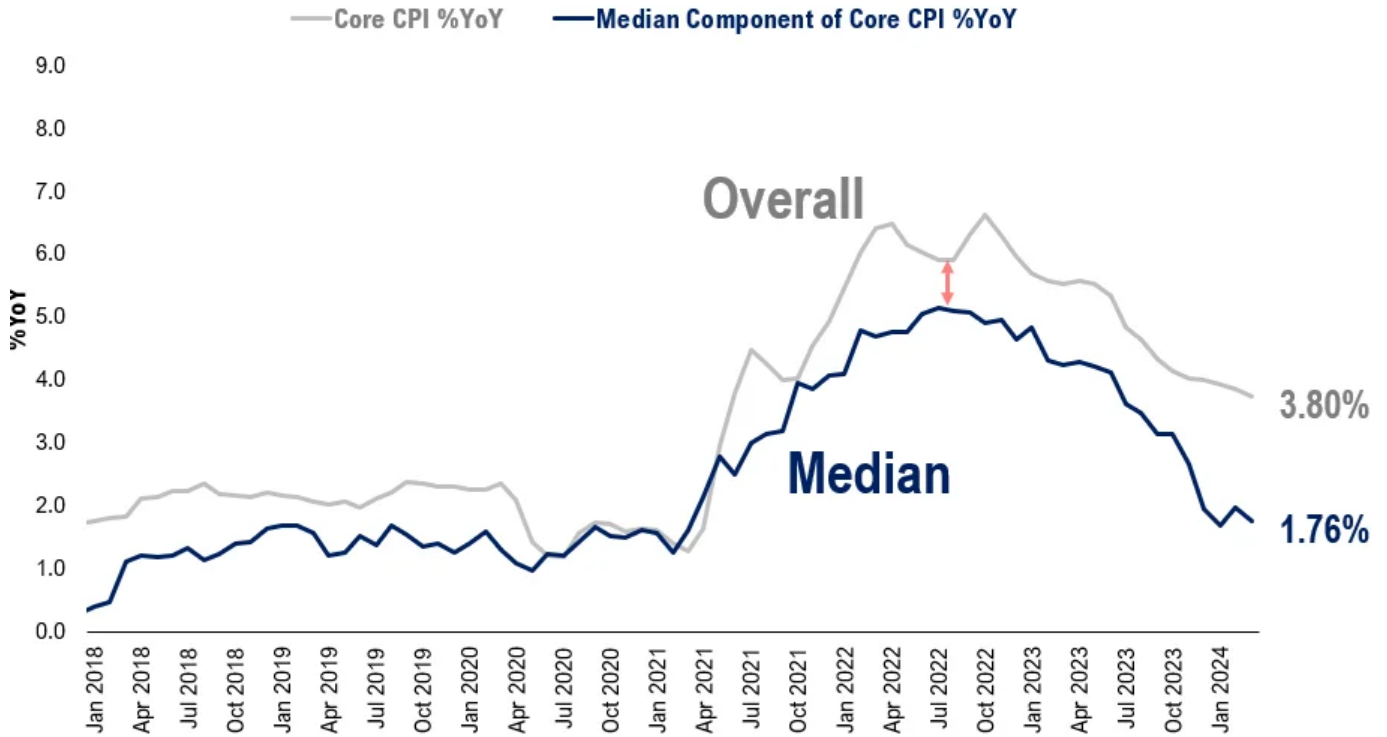
Sean Farrell's Crypto Market Update
April 23, 2024 @ 11am ET

 Sean Farrell
Head of Crypto Strategy

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Chart of the Week

Core CPI %YoY vs Median Component of Core CPI %YoY
Since 2018



Source: Fundstrat, Bloomberg

Fundstrat Head of Research Tom Lee believes that the Fed will be more dovish than consensus expects. Despite a hotter-than-expected headline CPI number in March, the internals of the latest CPI release confirm inflation continuing to fall. As our Chart of the Week shows, the median inflation rate for all of the various components that make up CPI continues to fall and is at 1.76%. The gap between the median component and the headline number has widened over the past year and is further evidence that only two components – housing and auto insurance – are keeping the overall CPI elevated while the rest of inflation declines. Lee believes the Fed will recognize this.

Recent *Flash Insights*

[fsi-flash-insights]

FSI Video: Weekly Highlight



Key incoming data

- ~~4/15 8:30 am ET: Apr Empire Manufacturing Survey~~ **Tame**
- ~~4/15 8:30 am ET: Mar Retail Sales Data~~ **Mixed**
- ~~4/15 10:00 am ET: Apr NAHB Housing Market Index~~ **Tame**
- ~~4/16 8:30 am ET: Apr New York Fed Business Activity Survey~~ **Tame**
- ~~4/17 9:00 am ET: Apr Mid-Month Manheim Used Vehicle Index~~ **Tame**
- ~~4/17 2:00 pm ET: Fed Releases Beige Book~~ **Tame**
- ~~4/18 8:30 am ET: Apr Philly Fed Business Outlook Survey~~ **Tame**
- 4/22 8:30 am ET: Mar Chicago Fed Nat Activity Survey



- 4/23 9:45 am ET: Apr P S&P Global PMI
- 4/25 8:30 am ET: 1QA 2024 GDP
- 4/26 8:30 am ET: Mar PCE

Live Webinar with Tom Lee

Granny Shots & Market Update Webinar

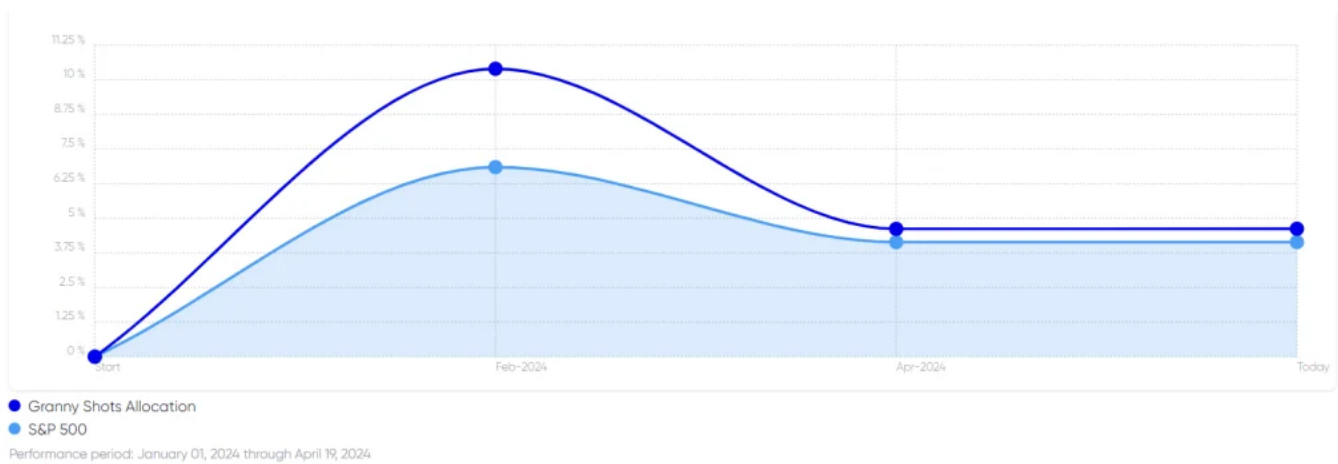
The Most Timely of Our Granny Shots

Wednesday, April 17
2pm ET

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Stock List Performance

Year to Date Granny Shots Performance



In the News

[fsi-in-the-news]



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