

## Can Small-Caps Continue to Shine?

This week illustrated **the extent to which large-cap Technology stocks affect broader indices** such as the S&P 500 and the Nasdaq. Tech stocks – particularly semiconductor stocks – **retreated this week after both sides of the political aisle made remarks seen as negative** for the sector.

Still, we saw **promising moves from non-Tech sectors**, prompting Fundstrat Head of Technology Mark Newton to tell us during our weekly research huddle that “my thinking is that **the ‘Great Rotation’ has begun.**” Despite the declines in the broader indices, Newton said, “I’m finding it difficult to get all that negative on the market just because **breadth has actually gotten so good** in recent weeks. I think it’s actually a very encouraging sign that we’ve seen such strength out of many of the lagging sectors, for example **in Biotech, regional banks, and Small-caps.**”

Fundstrat Head of Research Tom Lee also noticed the move in Small-caps – **something he had been anticipating.** To Lee, this was largely the result of the **astonishingly low June CPI data** released during the previous week. This prompted Federal Reserve officials to hint at more dovish outlooks in various public appearances last week. This helped **drive the probability of a Fed rate cut** in a near-term FOMC meeting (as implied by Fed Funds futures trading) **to 98%** as of Friday, a significant increase from the 70% we saw before the release of June CPI. As Lee pointed out, “this is the first time since 2019 in which the probability of a rate cut at a near-term future FOMC meeting has risen above the 80% level,” and it is part of why he sees the current **Small-caps rally** likely continuing. “This rally, we believe, **could reach 40% over the next 10 weeks,**” he told us.

### Crowdstrike



Shares of **CrowdStrike (\$CRWD)**, a **Granny Shot stock**, sank more than **11%** on Friday in response to news that what appears to have been a routine – but clearly problematic – update from the cybersecurity firm **caused millions of machines running Microsoft software to crash**. Major companies and institutions in virtually every industry, sector, and geography were affected. The **extent of the impact** of what many are calling the worst IT outage in history **is unclear**. In addition to the obvious criticisms already being leveled at CrowdStrike, others have pointed out potential consequences for Microsoft (\$MSFT) – despite the company not being directly at fault; for the global supply chain, including air- and ocean-cargo shipping; and in banking, with disruptions in the next payroll cycle a distinct possibility. The S&P 500, Nasdaq, and Dow all declined on Friday.

▶ Live Webinar with Tom Lee

## Granny Shots & Market Update Webinar

The Most Timely of Our Granny Shots

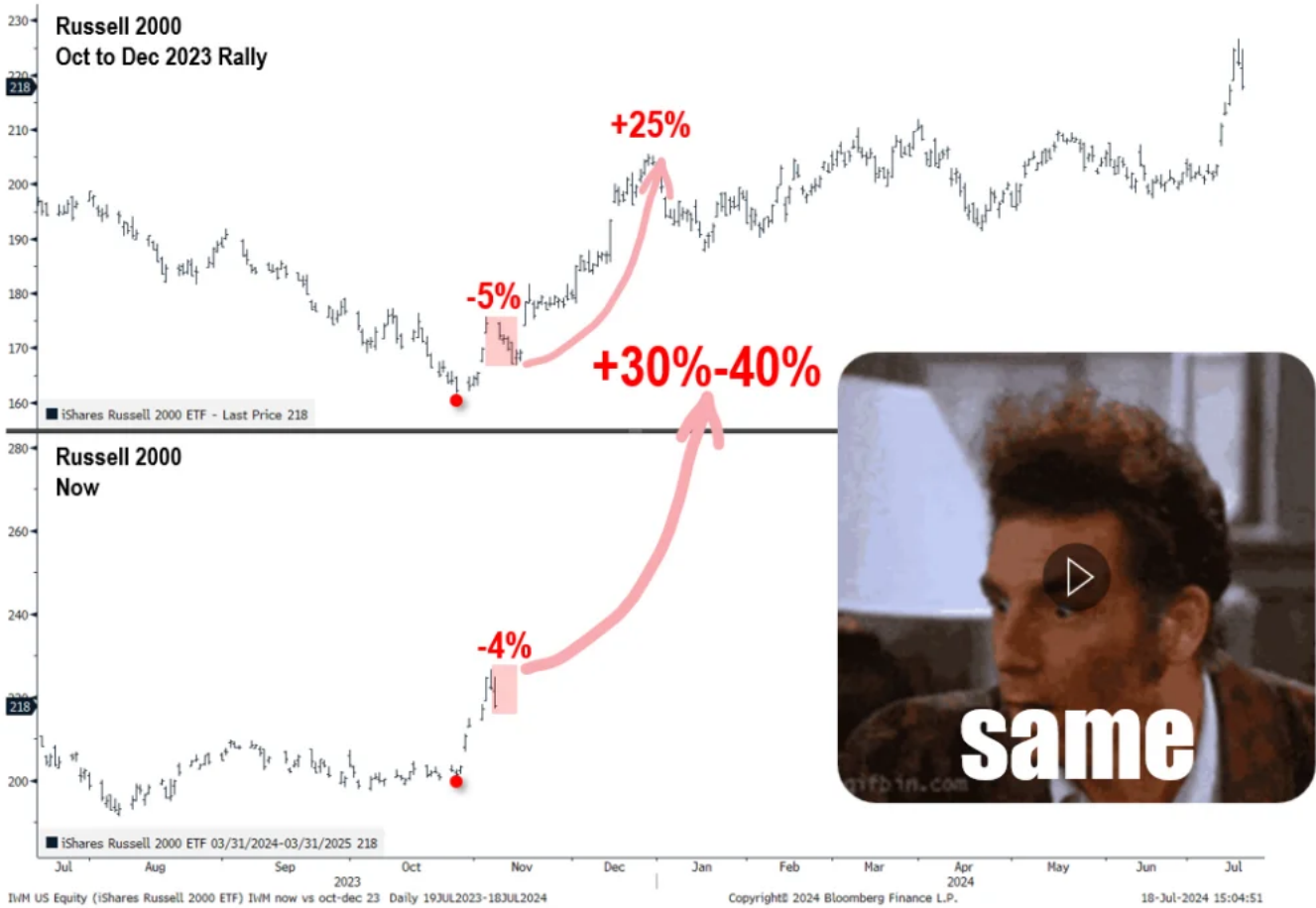
Wednesday, Jul 17  
2pm ET

[View Replay Now](#)



### *Chart of the Week*

## RUSSELL 2000: Oct to Dec '23 versus now



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**fundstrat**

Fundstrat’s Tom Lee sees the likelihood of a “Summer of Small-caps” (as he calls it) emerging. “We are only one week into this rally, but it is tracking very closely to the October to December 2023 small-cap rally,” he pointed out. Both rallies began with an initial surge, followed by a slight decline. In both rallies, this correction was marked by similar valuation (as measured by small cap P/E relative to the S&P 500). In late 2023, the correction was followed by a larger advance. Lee believes recent history could repeat itself. The comparison of Small-cap performance between late 2023 and now is shown in our Chart of the Week.

### Recent *FlashInsights*



[fsi-flash-insights]

## FSI Video: Weekly Highlight



### Key incoming data

- 7/15 8:30 AM ET: Jul Empire Manufacturing Survey **Tame**
- 7/15 12:00 PM ET: Fed's Powell Interviewed by David Rubenstein **Tame**
- 7/16 8:30 AM ET: Jun Retail Sales Data **Tame**
- 7/16 10:00 AM ET: Jul NAHB Housing Market Index **Tame**
- 7/17 9:00 AM ET: Jul M Manheim Used vehicle index **Mixed**
- 7/17 2:00 PM ET: Jul Fed Releases Beige Book **Tame**
- 7/18 8:30 AM ET: Jul Philly Fed Business Outlook **Tame**
- 7/18 4:00 PM ET: May Net TIC Flows **Tame**



- 7/22 8:30 AM ET: Jun Chicago Fed Nat Activity Index
- 7/23 10:00 AM ET: Jun Existing Home Sales
- 7/24 9:45 AM ET: Jul P S&P Global Manufacturing PMI
- 7/24 9:45 AM ET: Jul P S&P Global Services PMI
- 7/24 10:00 AM ET: Jun New Home Sales
- 7/25 8:30 AM ET: 2QA 2024 GDP
- 7/25 10:00 AM ET: Jun P Durable Goods Orders
- 7/26 8:30 AM ET: Jun PCE Deflator
- 7/26 10:00 AM ET: Jul F U. Mich. Sentiment and Inflation Expectation

# FSI Sector Allocation

Outperform the S&P 500 by actively managing one's sector exposure without taking on additional portfolio risk

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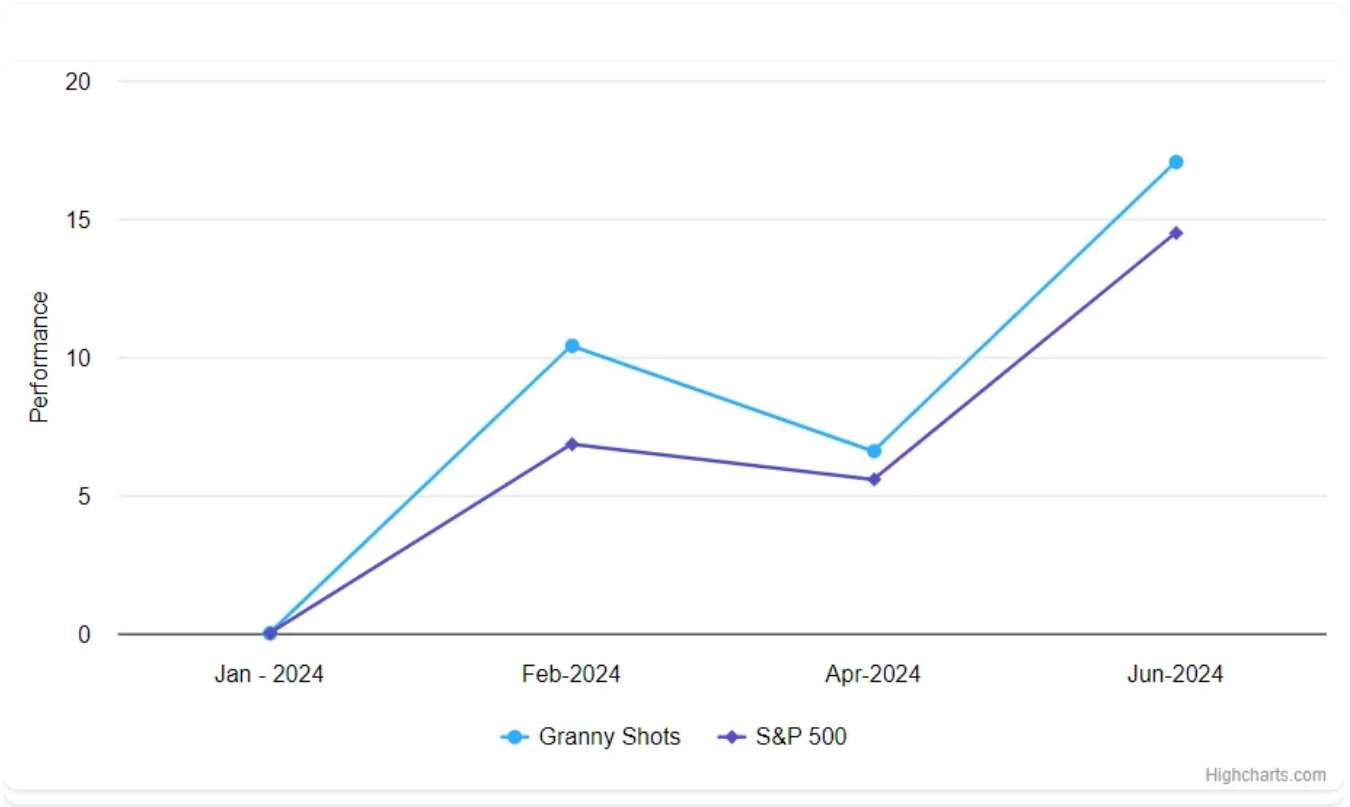
SECTOR	EP	S&P WEIGHT	FSI WEIGHT	BETA		
Health Care	HLV	12.90%	15.30%	2.4%		
Information Technology	ITK	28.00%	25.50%	15%		
Energy	HE	4.50%	4.90%	0%		
Communication Services	CLS	8.90%	10.90%	2.0%		
Financials	FLV	12.60%	15.00%	2.4%		
Industrials	IND	8.70%	9.70%	10%		
Real Estate	RE	2.50%	2.50%	0.0%		
Consumer Discretionary	CD	9.10%	9.40%	-1.7%		
Utilities	UTIL	2.30%	1.23%	-1.7%		
Consumer Staples	CS	6.80%	1.40%	-5.4%		
Materials	MA	2.40%	0.40%	-2.0%		
Total		100%	100%			

\*Image does not reflect current reporting

## Stock List Performance



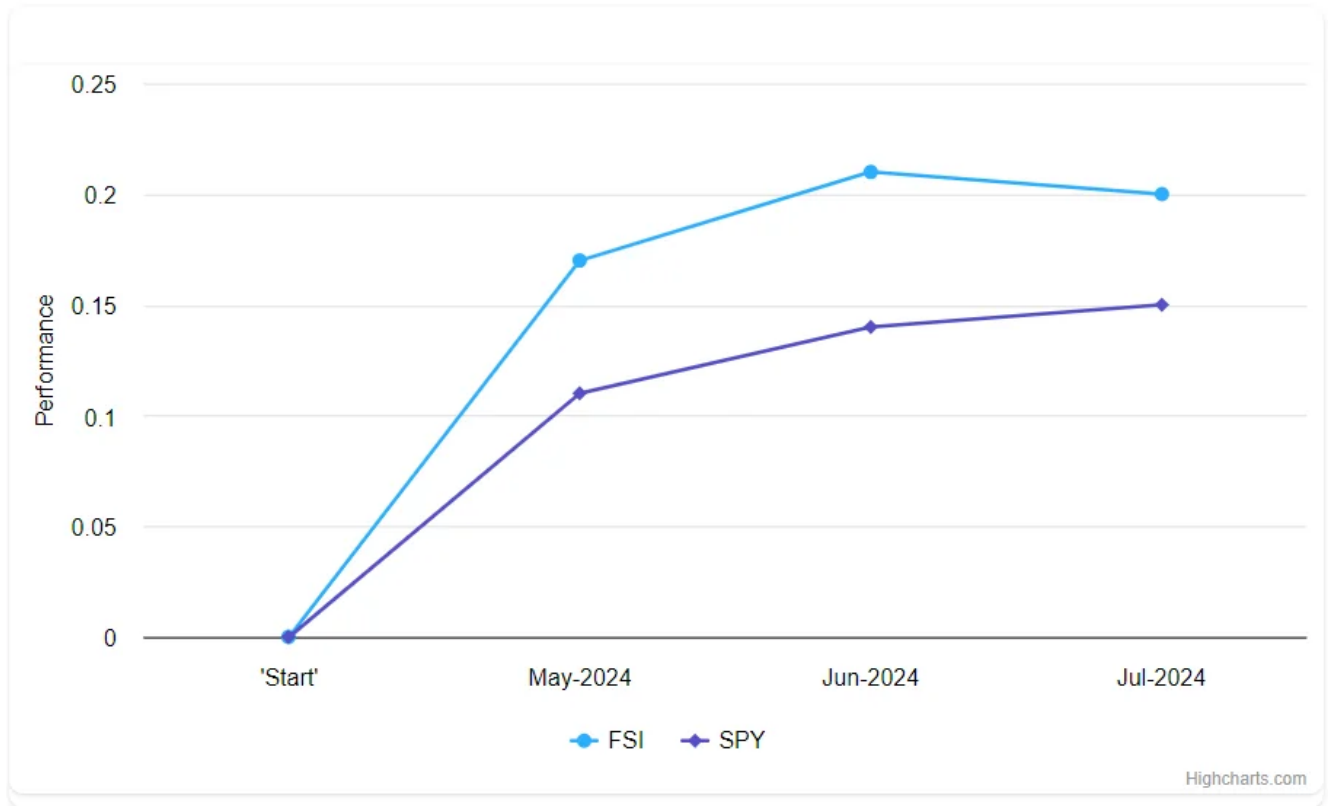
### Year to Date Granny Shots Performance



Performance period: January 01, 2024 through July 19, 2024



### Upticks Against the SPY ( Year to Date )



Performance period: January 01, 2024 through July 19, 2024

### *In the News*

[fsi-in-the-news]



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