

'Fire-Ready-Aim' Mentality Could Lead to Window of Opportunity

Last week was a tumultuous one, with **strong gains** during and immediately **after a meeting of the Federal Open Markets Committee**, followed by a **sharp Friday sell-off** that Fundstrat Head of Research Tom Lee unequivocally described as **"ugly."** In addition to sharp declines in equities (all three major indices), **we saw the VIX (volatility index) surge** to nearly 29 before retreating to end the week around 23 – still highly elevated.

This seems to have been driven in large part by labor-market numbers that some interpreted as foreshadowing a broader economic downturn. **Federal Reserve Chair Jerome Powell** addressed this topic after Wednesday's meeting of the Federal Open Market Committee (FOMC), telling reporters "we're watching really carefully for" any signs pointing to a "sharper downturn in the labor market." He later reiterated that **"I would not like to see material further cooling in the labor market."**

Possibly with those remarks in mind, investors greeted Friday's jobs report with **dismay**. To Lee, it was **an overreaction**. **"Markets tend to have a 'fire-ready-aim' response** to negative surprises," he noted. "In my view, the July jobs report is consistent with a soft landing," he asserted.

Lee also posed a rhetorical question: **"Has the economic picture deteriorated** so much in the last two days so as to justify a 10% drawdown in both small caps and the Nasdaq 100?" In his view, **"that hardly seems to be the case**. We don't see the economic picture as being incrementally that different today [Friday] than it was at the beginning of the week," and on Friday evening, Lee found signs – suggestive but admittedly inconclusive for now – that much of the jobs-number miss **might have been associated with Hurricane Beryl** and its aftermath.



Lee's intermediate- and long-term equities outlook remains constructive. Yet **in the near-term, he suggests patience**. "Time is required to let the selling get done as investors de-risk. The selling of the last few days cannot reverse instantly. Keep in mind that **opportunities emerge when markets panic**. And in the coming days, this is the opportunity that emerges."

Sector Allocation Strategy

These are the latest strategic sector ratings from Head of Research Tom Lee and Head of Technical Strategy Mark Newton – part of the August 2024 update to the [FSI Sector Allocation Strategy](#). FS Insight Macro and Pro subscribers can [click here](#) for ETF recommendations, precise guidance on strategic and tactical weightings, detailed commentary, and methodology.



Sector ETF Allocations – Strategic Sector Ratings

Macro
Thomas Lee



Technical
Mark Newton



	Macro	Technical
Consumer Discretionary	Overweight	Neutral
Industrials	Overweight	Overweight
Information Technology	Overweight	Overweight
Communication Services	Neutral	Neutral
Basic Materials	Neutral	Overweight
Energy	Overweight	Neutral
Financials	Overweight	Overweight
Real Estate	Overweight	Overweight
Consumer Staples	Underweight	Underweight
Health Care	Overweight	Overweight
Utilities	Underweight	Neutral

Source: Fundstrat



Live Webinar with Mark Newton

Live Technical Analysis

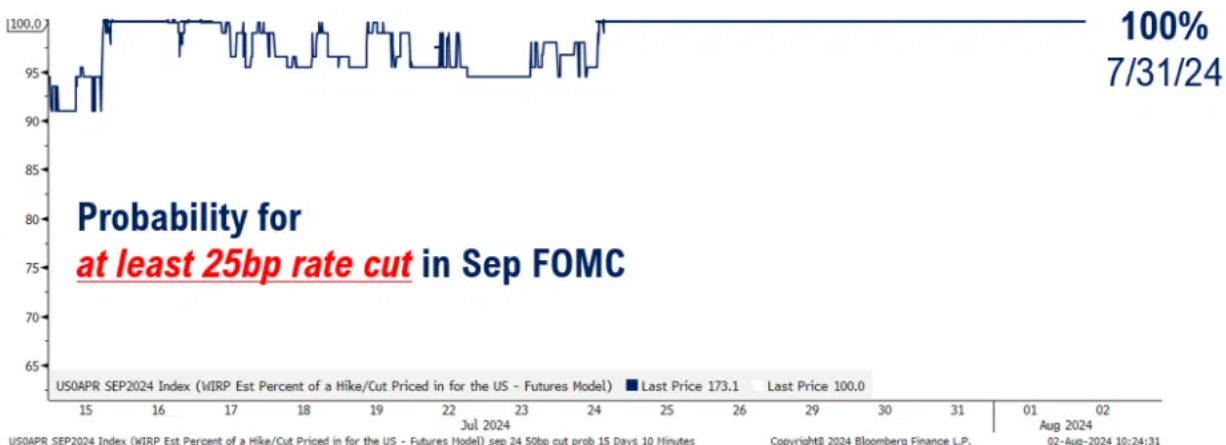
August 1, 2024 @ 2pm ET

Watch Replay Now!



Chart of the Week

Probabilities for rate cut in September FOMC
Implied by Fed Funds futures



US04PR SEP2024 Index (WIRP Est Percent of a Hike/Cut Priced in for the US - Futures Model) sep 24 50bp cut prob 15 Days 10 Minutes Copyright © 2024 Bloomberg Finance L.P. 02-Aug-2024 10:24:31

Source: Fundstrat, Bloomberg

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Arguably the biggest impact of the declining numbers in Friday's jobs report will be its effect on Fed policy. A look at Fed funds futures trading suggests that the market is also trying to figure out what the week's job numbers might mean for the Fed's next steps. The FOMC on Wednesday had signaled the possibility of a rate cut in September, and after the U.S. jobs report was released on Friday, the odds of a 50-bp rate cut in September (as opposed to the customary 25 bp) surged to over 73%. (We can see this in our Chart of the Week):

Recent \searrow Flash Insights

[fsi-flash-insights]

FSI Video: Weekly Highlight



Key incoming data



- ~~7/29 10:30 AM ET: Jul Dallas Fed Manuf. Activity Survey~~ **Tame**
- ~~7/30 9:00 AM ET: May S&P CoreLogic CS home price~~ **Tame**
- ~~7/30 10:00 AM ET: Jul Conference Board Consumer Confidence~~ **Tame**
- ~~7/30 10:00 AM ET: May JOLTS Job Openings~~ **Tame**
- ~~7/31 8:30 AM ET: 2Q ECI QoQ~~ **Tame**
- ~~7/31 2:00 PM ET: Jul FOMC Decision~~ **Tame**
- ~~8/1 8:30 AM ET: 2Q P Nonfarm Productivity~~ **Tame**
- ~~8/1 8:30 AM ET: 2Q P Unit Labor Costs~~ **Tame**
- ~~8/1 9:45 AM ET: Jul F S&P Global Manufacturing PMI~~ **Tame**
- ~~8/1 10:00 AM ET: Jul ISM Manufacturing PMI~~ **Tame**
- ~~8/2 8:30 AM ET: Jul Jobs Report~~ **Tame**
- ~~8/2 10:00 AM ET: Jun F Durable Goods Orders~~ **Tame**
- 8/5 9:45 AM ET: Jul F S&P Global Services PMI
- 8/5 10:00 AM ET: Jul ISM Services PMI
- 8/6 8:30 AM ET: Jun Trade Balance
- 8/7 9:00 AM ET: Jul F Manheim Used vehicle index



Newton's Upticks Stock List

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

[Access Now!](#)



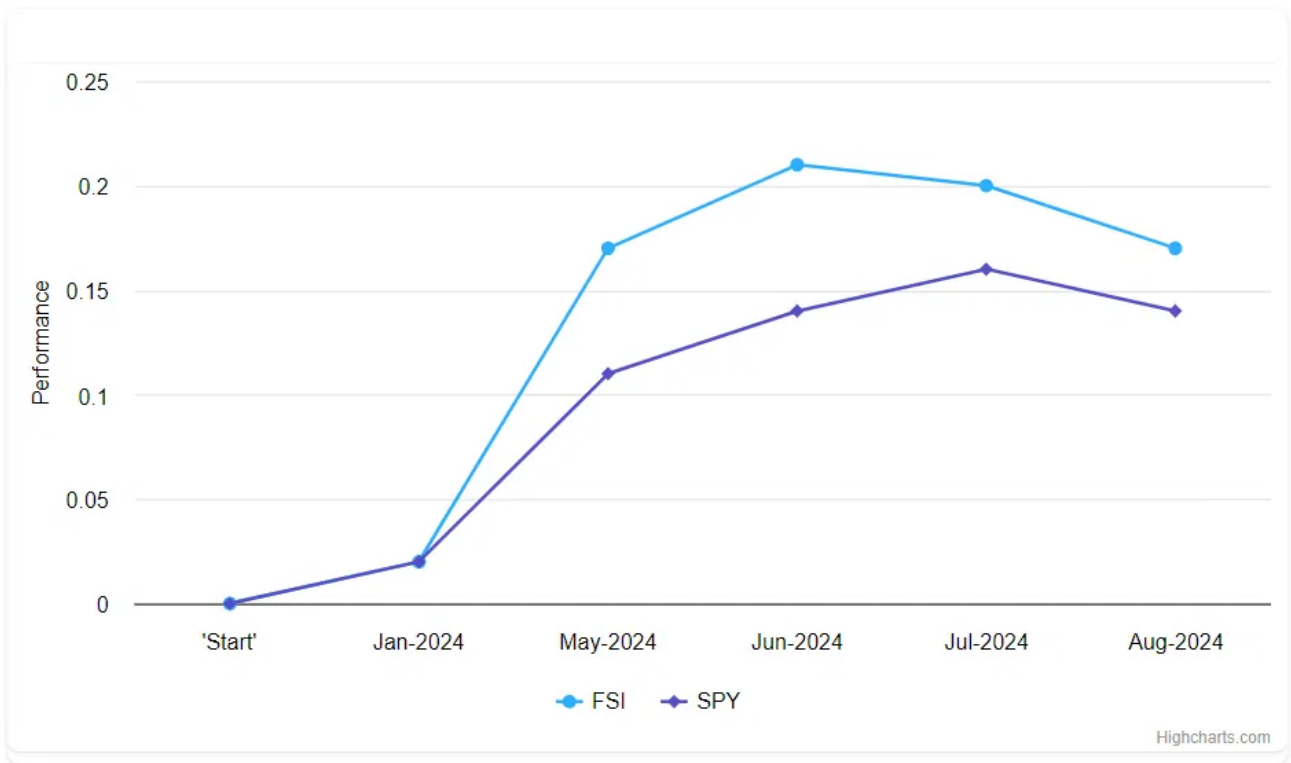
Information Technology	58.04	-0.7%	-1.9%	\$58.735	\$55.00	\$68.00 & \$78.00
Health Care	426.13	2.40%	21.09%	\$301.91	\$385.00	\$503.00 & \$558.00
Industrials	1,146.24	0.49%	53.70%	\$76.76	\$1,010.00	\$1,165.00 & \$1,243.00
Communication Services	545.50	1.73%	2.20%	\$53.31	\$530.00	\$68.00 & \$700.00
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	426.84	0.77%	0.19%	\$426.03	\$410.00	\$461.00 & \$561.00
Consumer	61.28	-0.54%	24.30%	\$11.26	\$32.00	\$43.00 & \$49.00

*Image does not reflect current stock list

Stock List Performance



Upticks Against the SPY (Year to Date)



Highcharts.com

Performance period: January 01, 2024 through August 01, 2024

In the News

[fsi-in-the-news]



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