

If Pain Front-Loaded for the Month, Rebound Feasible

Stocks just notched the fifth-worst start to September since 1928, and the **worst week in a year and a half**. This included a sharp drop for the S&P 500 on Friday **despite the August jobs report showing a labor market that is “an ideal, middle-of-the-road” range**, as Fundstrat Head of Research Tom Lee put it – not so hot as to cause the Federal Reserve to further delay rate cuts, yet not so low as to suggest an imminent recession or hard landing.

The report showed 142,000 jobs created in August – **lower than the 165,000 expected by consensus, but still an improvement on July’s numbers**.

Unemployment fell to 4.2% from 4.3% the month prior, in line with expectations. The **number of industries adding jobs in August rose** to 53% – the highest level since May.

“We expected stocks to rebound on today’s report,” he admitted, “and while we are disappointed this did not happen, **this does not preclude a rebound next week**. There is arguably a paucity of fundamental reasons for this week’s disappointing market movements.” In Lee’s opinion, “investors have gotten **overly gloomy**.”

Head of Technical Strategy Mark Newton did not disagree completely. On Friday, he acknowledged that “**fear is creeping back into markets**,” citing a climbing equity put/call ratio that closed the week at the highest levels of the year. Like Lee, he feels the gloom might not be justified. “Looking at the market, we can see hiring is almost at a standstill, yet **we’re not really seeing layoffs. To me, that’s the real key**. We’re not seeing broad unemployment.”

He had this to say about **this week’s slump**: “Based on my work, I see all of this as **Technology-related** – Tech and Energy. In the last week, we’ve seen great movement out of Financials and Healthcare. We had five sectors that moved to new monthly all-time highs as of the end of August. I think that’s very, very good. This is a market where **many different parts are doing very, very well**.”

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 September 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.

The banner features a dark blue background with a circuit-like pattern. On the left, a play button icon is next to the text 'Live Webinar'. Below this is the main title 'Technology & AI Outlook with Tom Lee & Dan Ives' in large white font. A purple button with white text says 'Watch Replay Now'. On the right, the date and time 'Tuesday, January 9 @ 2pm ET' are displayed. Below the date are two circular headshots: Dan Ives, Managing Director of Equity Research at Wedbush Securities, and Tom Lee, CFA, Co-founder and Head of Research at Fundstrat.

Chart of the Week

As implied by Fed Funds futures trading, market consensus regarding the Federal Reserve's rate cut plans for September 18 is now split between expectations for a 25 bp cut or a 50 bp cut. As shown by our Chart of the Week, implied odds of a 50 bp cut plunged from 65% to 27% on Friday after the jobs report and is one possible reason why stocks also fell on Friday. Nevertheless, this is still a dovish Fed. As Head of Technical Strategy Mark Newton notes, "If we look further out, the market anticipates roughly 200 basis points of cuts by next June, expecting the Fed to start taking rates down quite sharply." He asked rhetorically, "Would you really want to see a 50 bp cut at the next FOMC meeting? That arguably would mean the Fed knows something that we all don't, because that's a very big cut in an election year."



Recent *FlashInsights*

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FSI Video: *Weekly Highlight*




Key incoming data

- ~~9/3 9:45 AM ET: Aug F S&P Global Manufacturing PMI~~ **Tame**
- ~~9/3 10:00 AM ET: Aug ISM Manufacturing PMI~~ **Tame**
- ~~9/4 8:30 AM ET: Jul Trade Balance~~ **Tame**
- ~~9/4 10:00 AM ET: Jul JOLTS Job Openings~~ **Tame**
- ~~9/4 10:00 AM ET: Jul F Durable Goods Orders~~ **Tame**
- ~~9/4 2:00 PM ET: Fed Releases Beige Book~~ **Tame**



- ~~9/5 8:30 AM ET: 2Q F Non-Farm Productivity~~ **Tame**
- ~~9/5 8:30 AM ET: 2Q F Unit Labor Costs~~ **Tame**
- ~~9/5 9:45 AM ET: Aug F S&P Global Services PMI~~ **Tame**
- ~~9/5 10:00 AM ET: Aug ISM Services PMI~~ **Tame**
- ~~9/6 8:30 AM ET: Aug Non-Farm Payrolls~~ **Tame**
- 9/9 9:00 AM ET: Aug F Manheim Used vehicle index
- 9/9 11:00 AM ET: Aug NY Fed 1yr Inf Exp
- 9/10 6:00 AM ET: Aug Small Business Optimism Survey
- 9/11 8:30 AM ET: Aug CPI
- 9/12 8:30 AM ET: Aug PPI
- 9/13 10:00 AM ET: Sep P U. Mich. Sentiment and Inflation Expectation


 Live Webinar with Tom Lee

Market Update & Top Stock Ideas

The Most Timely of Our Granny Shots

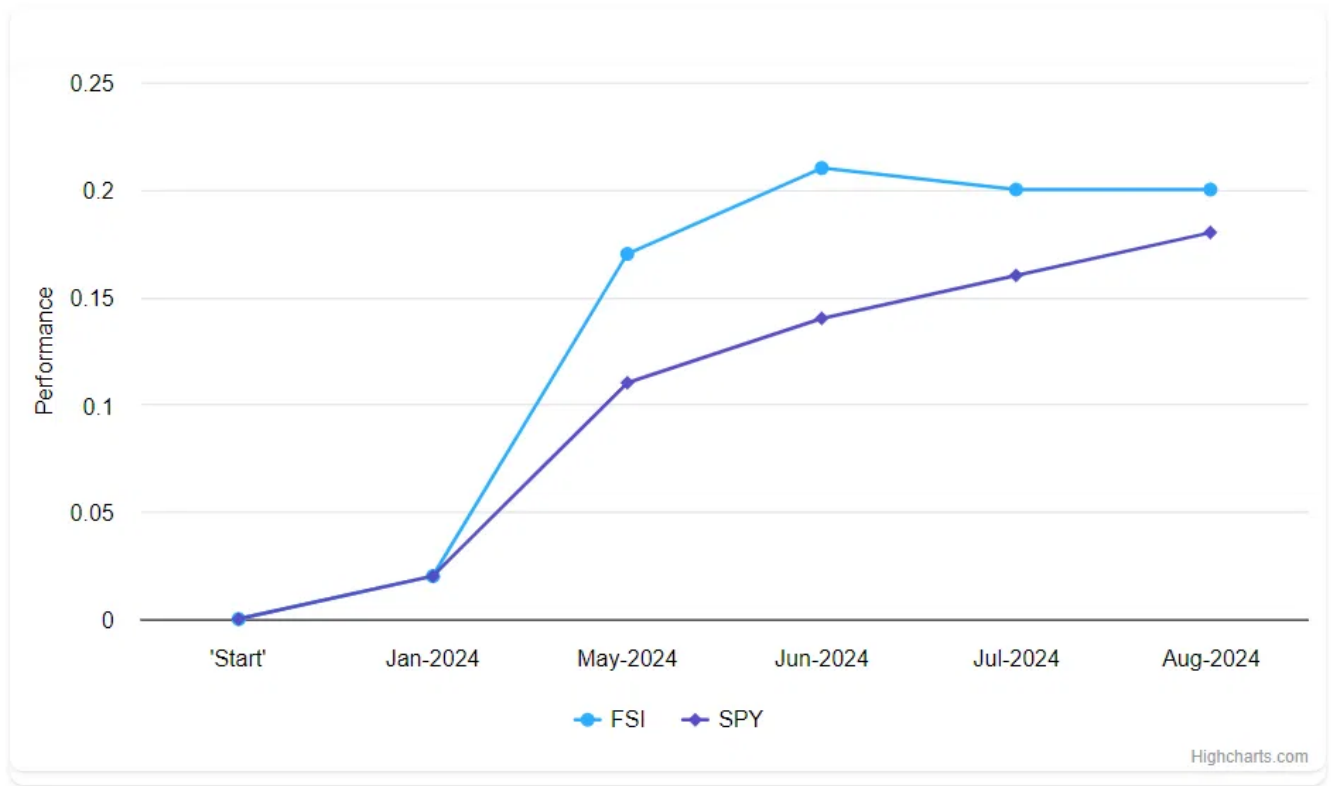
Wednesday, Aug 21
2pm ET

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Stock List Performance

Upticks Against the SPY (Year to Date)



Performance period: January 01, 2024 through August 27, 2024

In the News

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