

What's Next After FOMC Cuts?

FOMC Day has come and gone, and the Federal Reserve has put **an official end to one of the most aggressive hiking cycles in Fed history**. Before the Federal Open Market Committee concluded its meeting on Wednesday, market participants debated whether the Fed would decide on a cut of 25 bp or 50 bp. Ultimately, the FOMC **opted to cut 50 bps**, setting a target range of 4.75% – 5.00%.

For Fundstrat Head of Research Tom Lee, the decision and Fed Chair Jerome Powell's post-meeting press conference were **decidedly positive for markets**. "Chair Powell mentioned 'recalibration' multiple times," he pointed out. "To me, this indicates that **the Fed has shifted its focus to** the other part of its dual mandate, **keeping the job market strong**. With inflation softening, it seems clear that the Fed wants to **keep the economic expansion healthy**." Expanding on that, he explained, **"This should arguably act as an implicit 'put'** on the equity market, as falling asset prices would threaten to weaken labor markets."

"All of this is arguably **most supportive for small-caps and cyclicals**," he noted. Yet Lee warns clients to expect "noise" in trading activity in the near term, over the weeks to come. This is in large part because **markets are in the historically challenging eight-week period before Election Day**, particularly when the contest is close, as is currently the case.

Head of Technical Strategy Mark Newton is somewhat in agreement. He acknowledged that late September, particularly in election years, has historically been "a tricky time for the equity markets." However, with stocks having notched **all-time closing highs** on Thursday, "the market clearly shifted to the upside, despite having dipped on Wednesday afternoon after the FOMC." To Newton, this **might lead to "a FOMO type of catch-up period** where investors are going to climb aboard. We could, in fact, rally into the middle part of October."



However, “**mid-October is when you’re going to want to watch carefully,**” he warned. Furthermore, “**if sentiment starts to get real giddy** in the next month, I think **that’ll be your sell signal.** Going forward, I think we’re still in for an interesting time,” he concluded.

▶ Live Webinar with Tom Lee

Market Update & Top Stock Ideas

The Most Timely of Our Granny Shots

Wednesday, Sep 25
2pm ET

[View Replay Now](#)


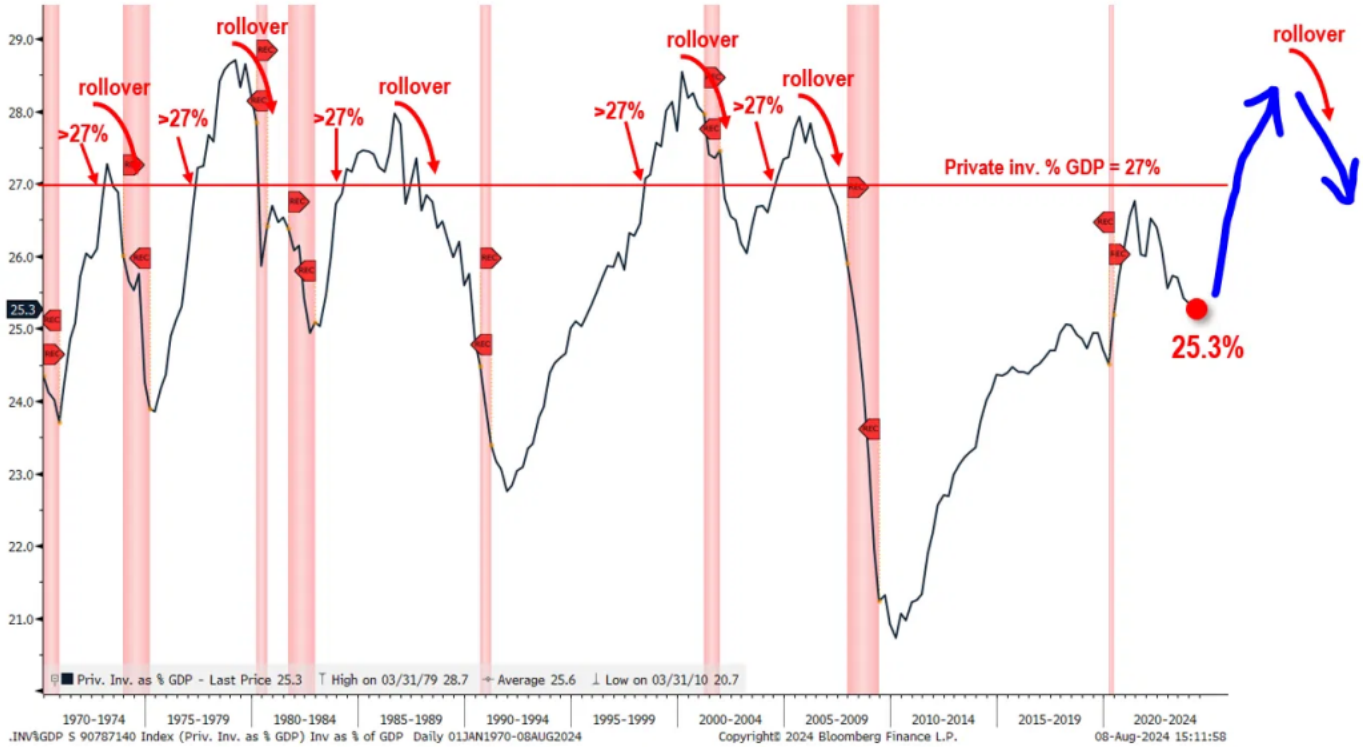


Chart of the Week

Private Investment (sum of capex + durables + residential investment) as % GDP is still below 27%
Since 1970



Source: Fundstrat, BEA, Bloomberg

Many investors wonder if the economy is late cycle. But as Fundstrat Head of Research Tom Lee points out, businesses became cautious about over-expanding in early 2022, when the Fed began signaling intentions to raise interest rates sharply. They have remained cautious ever since. "The private investment-to-GDP ratio sits at 25%, below the long-term average of 27%, and with the exception of the pandemic, no major recession has started since 1970 without this figure exceeding 28%," he told us this week. Our Chart of the Week illustrates this.

Recent Flash Insights

[fsi-flash-insights]



FSI Video: Weekly Highlight



Key incoming data

- ~~9/16 8:30 AM ET: Sep Empire Manufacturing Survey~~ **Tame**
- ~~9/17 8:30 AM ET: Aug Retail Sales Data~~ **Tame**
- ~~9/17 9:00 AM ET: Sep M Manheim Used vehicle index~~ **Tame**
- ~~9/17 10:00 AM ET: Sep NAHB Housing Market Index~~ **Tame**
- ~~9/18 2:00 PM ET: Sep FOMC Decision~~ **Tame**
- ~~9/18 4:00 PM ET: Jul Net TIC Flows~~ **Tame**
- ~~9/19 8:30 AM ET: Sep Philly Fed Business Outlook~~ **Tame**
- ~~9/19 10:00 AM ET: Aug Existing Home Sales~~ **Tame**
- 9/23 8:30 AM ET: Aug Chicago Fed Nat Activity Index



- 9/23 9:45 AM ET: Sep P S&P Global Manufacturing PMI
- 9/23 9:45 AM ET: Sep P S&P Global Services PMI
- 9/24 9:00 AM ET: Jul S&P CoreLogic CS home price
- 9/24 10:00 AM ET: Sep Conference Board Consumer Confidence
- 9/25 10:00 AM ET: Aug New Home Sales
- 9/26 8:30 AM ET: 2Q T 2024 GDP
- 9/26 10:00 AM ET: Aug P Durable Goods Orders
- 9/27 8:30 AM ET: Aug PCE Deflator
- 9/27 10:00 AM ET: Sep 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

[Access Now!](#)



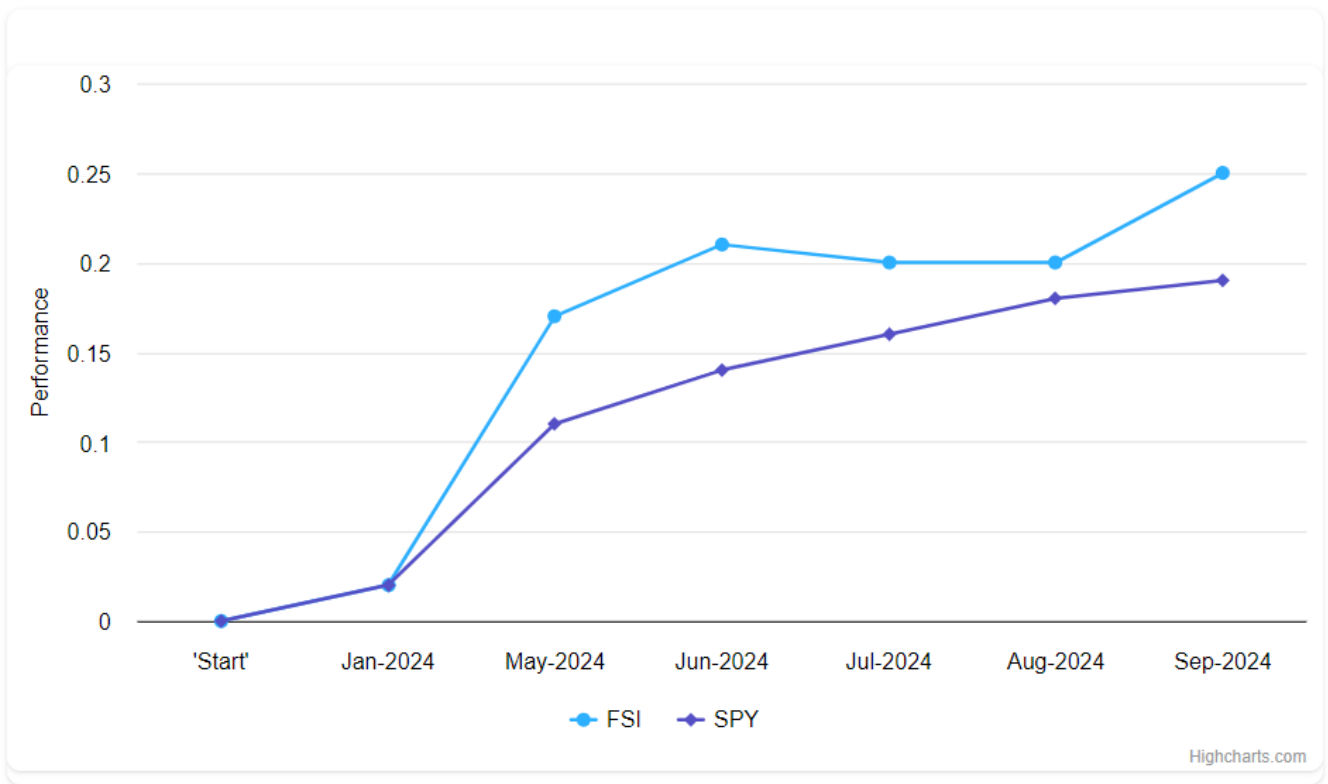
SECTOR	EF	S&P WEIGHT	FSI WEIGHT	BETA		
Health Care	HLF	12.90%	15.30%	2.4%		
Information Technology	ITK	28.00%	25.50%	1.5%		
Energy	HE	4.90%	4.90%	0.9%		
Communication Services	KLC	8.90%	10.90%	2.0%		
Financials	FLF	12.60%	15.00%	2.4%		
Industrials	IU	8.70%	9.70%	1.0%		
Real Estate	RE	2.50%	2.50%	0.0%		
Consumer Discretionary	FLY	9.10%	9.40%	-1.7%		
Utilities	IU	2.30%	1.20%	-1.7%		
Consumer Staples	FLP	6.80%	1.40%	-5.4%		
Materials	ML	2.40%	0.40%	-2.0%		
Total		100%	100%			

*Image does not reflect current reporting

Stock List Performance



Upticks Against the SPY (Year to Date)



Performance period: January 01, 2024 through September 20, 2024

In the News

[fsi-in-the-news]



Disclosures

This research is for the clients of FS Insight only. FSI Subscription entitles the subscriber to 1 user, research cannot be shared or redistributed. For additional information, please contact your sales representative or FS Insight at fsinsight.com.

Conflicts of Interest

This research contains the views, opinions and recommendations of FS Insight. At the time of publication of this report, FS Insight does not know of, or have reason to know of any material conflicts of interest.

General Disclosures

FS Insight is an independent research company and is not a registered investment advisor and is not acting as a broker dealer under any federal or state securities laws.

FS Insight is a member of IRC Securities' Research Prime Services Platform. IRC Securities is a FINRA registered broker-dealer that is focused on supporting the independent research industry. Certain personnel of FS Insight (i.e. Research Analysts) are registered representatives of IRC Securities, a FINRA member firm registered as a broker-dealer with the Securities and Exchange Commission and certain state securities regulators. As registered representatives and independent contractors of IRC Securities, such personnel may receive commissions paid to or shared with IRC Securities for transactions placed by FS Insight clients directly with IRC Securities or with securities firms that may share commissions with IRC Securities in accordance with applicable SEC and FINRA requirements. IRC Securities does not distribute the research of FS Insight, which is available to select institutional clients that have engaged FS Insight.

As registered representatives of IRC Securities our analysts must follow IRC Securities' Written Supervisory Procedures. Notable compliance policies include (1) prohibition of insider trading or the facilitation thereof, (2) maintaining client confidentiality, (3) archival of electronic communications, and (4) appropriate use of electronic communications, amongst other compliance related policies.

FS Insight does not have the same conflicts that traditional sell-side research organizations have because FS Insight (1) does not conduct any investment banking activities, and (2) does not manage any investment funds.

This communication is issued by FS Insight and/or affiliates of FS Insight. This is not a personal recommendation, nor an offer to buy or sell nor a solicitation to buy or sell any securities, investment products or other financial instruments or services. This material is distributed for general informational and educational purposes only and is not intended to constitute legal, tax, accounting or investment advice. The statements in this document shall not be considered as an objective or independent explanation of the matters. Please note that this document (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and (b) is not subject



to any prohibition on dealing ahead of the dissemination or publication of investment research. Intended for recipient only and not for further distribution without the consent of FS Insight.

This research is for the clients of FS Insight only. Additional information is available upon request. Information has been obtained from sources believed to be reliable, but FS Insight does not warrant its completeness or accuracy except with respect to any disclosures relative to FS Insight and the analyst's involvement (if any) with any of the subject companies of the research. All pricing is as of the market close for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, risk tolerance, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies. The recipient of this report must make its own independent decision regarding any securities or financial instruments mentioned herein. Except in circumstances where FS Insight expressly agrees otherwise in writing, FS Insight is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice, including within the meaning of Section 15B of the Securities Exchange Act of 1934. All research reports are disseminated and available to all clients simultaneously through electronic publication to our internal client website, fsinsight.com. Not all research content is redistributed to our clients or made available to third-party aggregators or the media. Please contact your sales representative if you would like to receive any of our research publications.

Copyright © 2024 FS Insight LLC. All rights reserved. No part of this material may be reprinted, sold or redistributed without the prior written consent of FS Insight LLC.