

What China Stimulus Means for U.S. Investors

The S&P 500 closed at **all-time highs three out of five days last week**, as the impact of the Federal Reserve's September 18 rate-cut decision spread to China. The **Chinese government**, along with the People's Bank of China (PBOC), took what Fundstrat Head of Research Tom Lee described as **"drastic positive action."** This included, among other things, an CNY 800 billion (USD \$114 billion) lending facility to help fund stock buybacks and institutional stock purchases; mortgage-rate cuts; and a cut in the reserve requirement ratio.

This stimulatory blitz helped **buoy stock indices around the world** – not just in the U.S. Unsurprisingly, **Chinese stocks had a banner week**, with the CSI 300 index up 15.7%, its best weekly gain since 2008. Hong Kong's Hang Seng index rose 13% this week. In the wake of Beijing's stimulus measures, **"the regional bet on China might make sense for those who remain hesitant about investing in U.S.** due to the uncertainty around the coming Presidential election," Lee suggested. Among the industries the Fundstrat team has found to be positively correlated to China are those in the **Commodities, Industrials, and Consumer** sectors.

Head of Technical Strategy Mark Newton has similar constructivism on China. "We've seen a lot of false starts in Chinese stocks in the past," Newton noted, including a failed rally attempt this spring. In contrast, **"China's surge this week has huge technical importance** when you look at a larger area. We saw a pretty major breakout on an intermediate-term basis that makes the prospects of a rally a little bit more likely, in my view."

Regarding U.S. markets, Newton said, "we have managed to yet again climb back above all these prior highs in the last few days. To me, that signals that markets can push ever higher. A lot of that gels with some of the **cycle-based forecasts** that say that markets probably **rise into mid-October.**"

For U.S. investors, Lee and Newton both **urge caution** in the immediate **runup to the election** on November 5. Yet despite election-related uncertainty from a still-tight race, Lee remains constructive when looking out until the end of the year. He reminds us that the S&P 500 is **on track to close up for the month of September** despite having fallen 4% in the first week of the month. “To me, that is a **sign of a strong market**,” he said, particularly when considering that if September does turn out to be positive for stocks, that would mean that the S&P 500 has been up for eight of nine months so far in 2024.



Live Webinar with Mark Newton

Live Technical Analysis

October 3, 2024 @ 2pm ET

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Chart of the Week

The Federal Reserve's decision to cut rates on September 18 had the side effect of easing pressures on China's currency, giving Chinese authorities enough room to enact fiscal stimulus measures. Thus, the Fed's cuts also helped ease some of the pressures that had been weighing on Chinese equities for the past two and a half years. Fundstrat's Head of Research Tom Lee points out that "China's market was hardest hit by the Fed's recent war on inflation," with China's stock market underperforming the S&P 50 by 66% during this period. We see this in our Chart of the Week. This is one reason why Lee suggests taking advantage of this upside breakout in broader Chinese equities (\$FXI).

Recent *Flash Insights*

[fsi-flash-insights]

FSI Video: Weekly Highlight



Key incoming data

- ~~9/23 8:30 AM ET. Aug Chicago Fed Nat Activity Index~~ **Tame**
- ~~9/23 9:45 AM ET. Sep P S&P Global Manufacturing PMI~~ **Tame**
- ~~9/23 9:45 AM ET. Sep P S&P Global Services PMI~~ **Tame**
- ~~9/24 9:00 AM ET. Jul S&P CoreLogic CS home price~~ **Tame**
- ~~9/24 10:00 AM ET. Sep Conference Board Consumer Confidence~~ **Tame**
- ~~9/25 10:00 AM ET. Aug New Home Sales~~ **Tame**
- ~~9/26 8:30 AM ET. 2Q T 2024 GDP~~ **Tame**
- ~~9/26 10:00 AM ET. Aug P Durable Goods Orders~~ **Tame**



- ~~9/27 8:30 AM ET: Aug PCE Deflator~~ **Tame**
- ~~9/27 10:00 AM ET: Sep F U. Mich. Sentiment and Inflation Expectation~~ **Tame**
- 9/30 10:30 AM ET: Sep Dallas Fed Manuf. Activity Survey
- 10/1 9:45 AM ET: Sep F S&P Global Manufacturing PMI
- 10/1 10:00 AM ET: Sep ISM Manufacturing PMI
- 10/1 10:00 AM ET: Aug JOLTS Job Openings
- 10/3 9:45 AM ET: Sep F S&P Global Services PMI
- 10/3 10:00 AM ET: Sep ISM Services PMI
- 10/3 10:00 AM ET: Aug F Durable Goods Orders
- 10/4 8:30 AM ET: Sep Non-Farm Payrolls


▶ Live Webinar with Tom Lee

Market Update & Top Stock Ideas

The Most Timely of Our Granny Shots

Wednesday, Sep 25
2pm ET

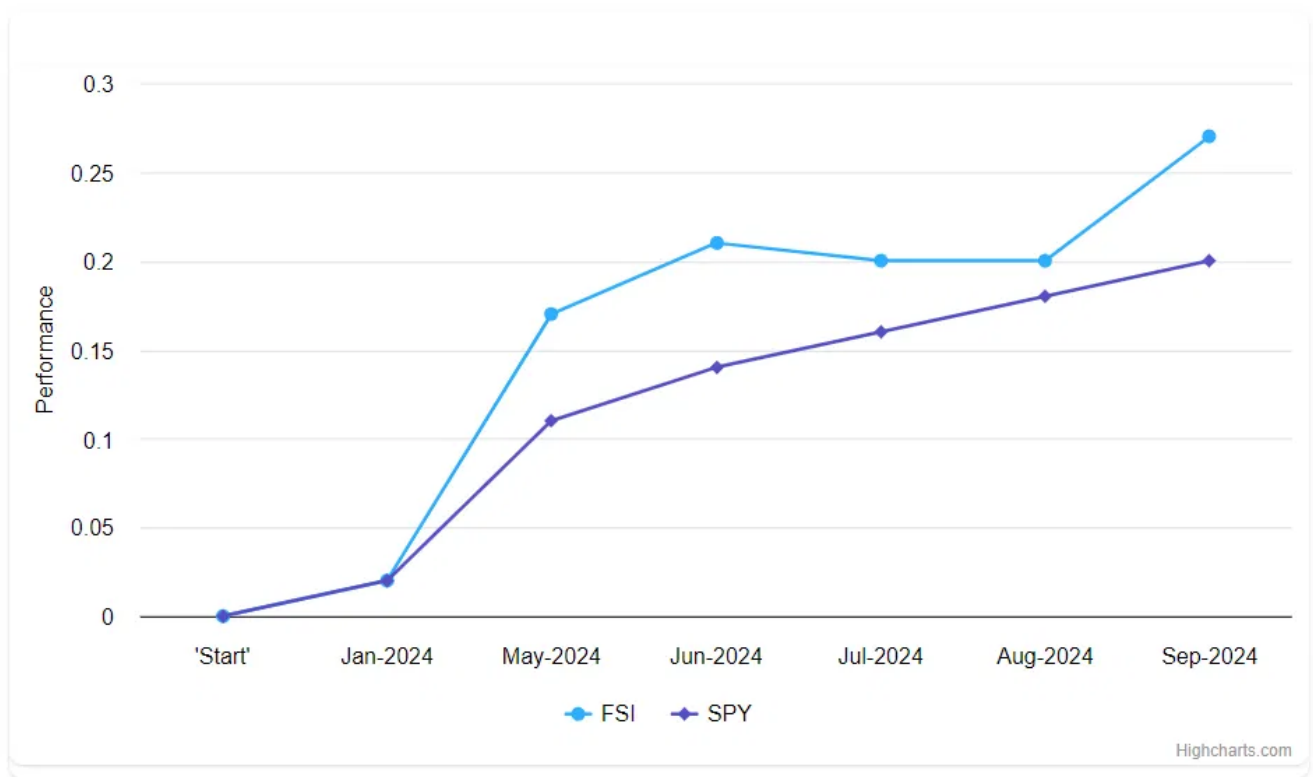
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Stock List Performance



Upticks Against the SPY (Year to Date)



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

In the News

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