

■ Intraday Alert

January 10, 2025

It's politics...U Mich inflation surge solely political divide. Rep see +0.1% vs Dems see +4.2%... Yup



**Tom Lee, CFA AG**

HEAD OF RESEARCH


▶ Live Webinar with Tom Lee & Mark Newton


## Market Update & Top Stock Ideas


Large Cap Stock Ideas + SMID Granny Picks

Wednesday, Jan 15  
1pm ET

[Reserve Your Seat](#)

 Tom Lee, CFA  
Head of Research

 Mark Newton, CMT  
Head of Technical Strategy



Equity markets are under selling pressure due in part to a solid jobs report (actually a good thing) and intensified by a “really hot” U Mich consumer inflation survey reading with a surprise rise to +3.3% (1-yr) from +2.8% last month:

- This U Mich data point intensified selling of equities and pushed rates higher because this suggests that US consumers are expecting accelerating inflation.
  - Jan U Mich 1-yr 3.3%
  - Dec U Mich 1-yr 2.8%
  - Nov U Mich 1-yr 2.6%
  - Oct U Mich 1-yr 2.7%



- However, as the data below clearly highlights, this is solely due to the political divide and the election of Trump to the White House. Consider:
  - Month.....Dem.....Rep
  - Jan **+4.2%** 0.1%
  - Dec +3.1% +1.3%
  - Nov +1.8% +2.6%
  - Oct +1.5% **+3.6%**
- Notice the very obvious pattern? I can spell it out:
  - Democratic respondents: suddenly inflation explodes from 1.5% (Oct) to 4.2% (Jan)
  - Republican respondents: suddenly inflation collapses from 3.6% (Oct) to 0.1% (Jan)
- How do respondents see a complete flip in inflation views? Ummm...
- To me, this means this U Mich inflation survey looks “very political” because the only change between Oct to now is the Republicans taking the White House and Congress and the Harris White House loss.
- The Dec jobs report came in at +256k vs +165k consensus. This is a strong number but wages holding at +3.9% YoY. And as Chicago Fed President Austin Goolsbee noted, this is not a level associated with wage-driven inflationary pressures.

**Bottom line, this is turbulent for markets near-term.**

As Mark Newton, Head of Technical Strategy, noted, we are potentially targeting S&P 500 5,700 near-term but then markets could reverse higher into inauguration (1/20). But keep in mind, we don't see fundamentals changing due to this U Mich report nor the Dec jobs report.

- VIX is near 20, which is a sign of panic and a sign we are nearing a bottom
- First 5 days were positive for 2025, a good omen for the year
- But please be aware this U Mich survey looks completely polluted by political views.



Week of 1/12-1/17:



Thomas Lee, CFA  
Head of Research

First Word  
Report

Macro Minute  
Video

Sunday



Monday



Tuesday



Wednesday



Thursday



Friday





Jan 10, 2025 at 11:35AM EST



Tactical Overweights

1 Long Homebuilders October to April

Rationale:

Since 1999, homebuilders gained 18.7% on average from late October to April next year, outperforming by 1,226bp

2025 Overweights

		Ticker (s)	Current price	Inclusion data...		Performance...	
				Date added	Inclusion price	# Days	Absolute Rel vs S&P 500
1	Small-caps	IWM	216.1	12/10/24	236.7	31	-9% -5%
1	Financials	XLF	47.3	12/10/24	49.7	31	-5% -1%
	- Regional Banks	KRE	58.0	12/10/24	65.5	31	-11% -8%
1	Bitcoin/Bitcoin-Related	BTC	93,792	12/10/24	96,911	31	-3% 0%
2	Industrials	XLI	131.3	12/10/24	139.0	31	-6% -2%
3	Technology	XLK	228.0	12/10/24	236.0	31	-3% 0%
	- FAANG stocks	NYFANG+	12,950	12/10/24	12,983	31	0% 3%
3	Communication Services	XLC	95.8	12/10/24	100.3	31	-4% -1%
	Consumer Discretionary	XLY	220.4	12/10/24	232.4	31	-5% -2%
	Real Estate/REITs	XLRE	39.4	12/10/24	43.2	31	-9% -5%

2025 Underweights

1	Consumer Staples	XLP	76.4	12/10/24	82.6	31	-7% -4%
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\* Market cap figures for IBP, KRE, and sectors are the respective ETF market caps. Source: Fundstrat and Bloomberg



**Jan 10, 2025 at 11:35AM EST**

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		<i>Inclusion data...</i>			<i>Performance...</i>				
					Price When	Current		Rel vs	
		Ticker	Market Cap	P/E Yr+1	Date added	Added	Price	Absolute	S&P 500
<b>Top 5 Ideas</b>									
1	Palo Alto Networks Inc	PANW	113,063	46.8x	11/25/2024	193.19	172.30	-10.8%	-8.0%
2	Meta Platforms Inc	META	1,553,900	23.6x	9/24/2024	563.33	615.31	9.2%	7.8%
3	Block Inc	SQ	51,203	18.4x	11/25/2024	90.75	82.61	-9.0%	-6.1%
4	JPMorgan Chase & Co	JPM	674,499	13.8x	11/25/2024	250.29	239.58	-4.3%	-1.4%
5	Tesla Inc	TSLA	1,245,503	119.9x	9/24/2024	254.27	388.00	52.6%	51.1%
<b>Bottom 5 Ideas</b>									
1	Boeing Co/The	BA	125,413	1190.4x	9/24/2024	155.81	167.85	7.7%	6.3%
2	Alibaba Group Holding Lt	BABA	193,237	8.4x	11/25/2024	85.58	81.13	-5.2%	-2.4%
3	NIKE Inc	NKE	106,113	27.6x	9/24/2024	87.46	71.74	-18.0%	-19.4%
4	Pfizer Inc	PFE	152,669	9.3x	9/24/2024	29.50	26.94	-8.7%	-10.1%
5	Target Corp	TGT	65,011	15.4x	11/25/2024	130.53	141.88	8.7%	11.5%

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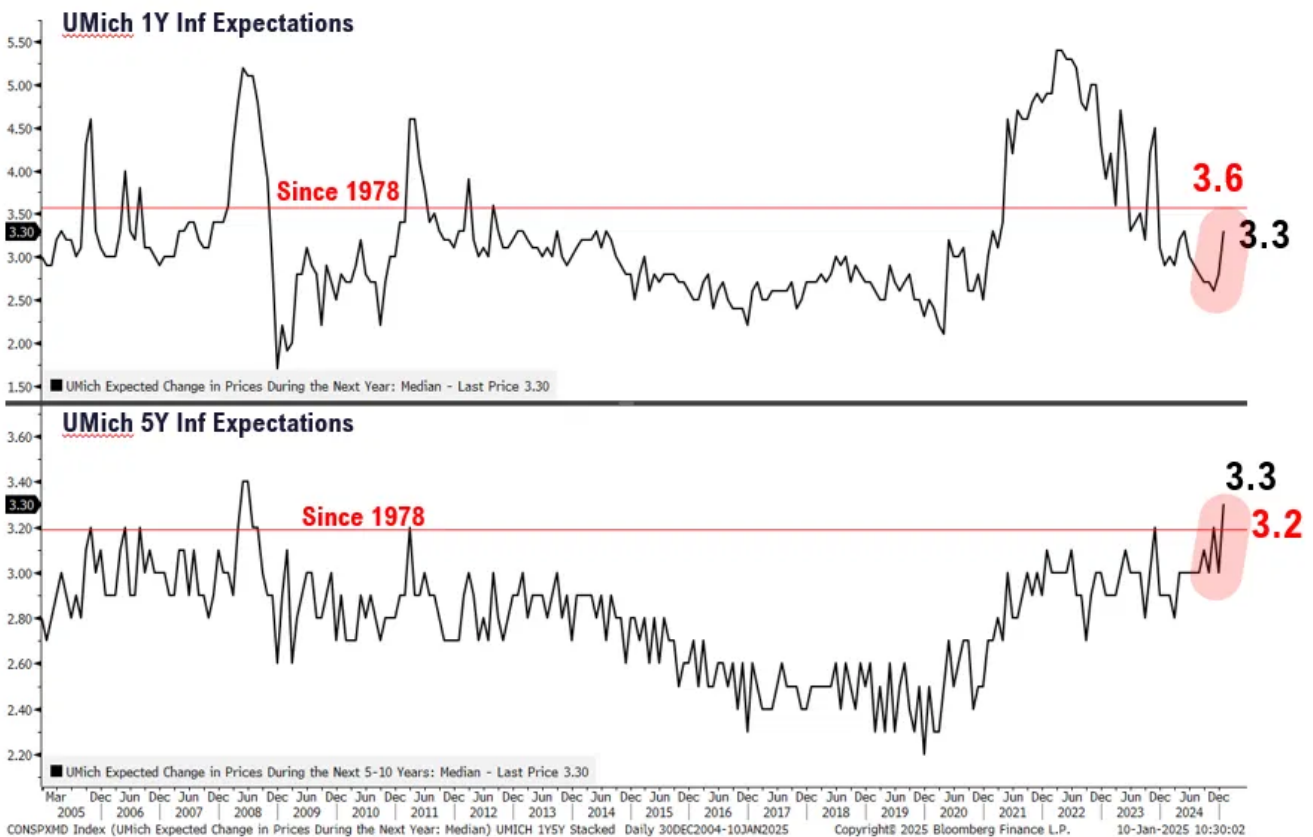
		<i>Inclusion data...</i>			<i>Performance...</i>				
					Price When	Current		Rel vs	
		Ticker	Market Cap	P/E Yr+1	Date added	Added	Price	Absolute	Russell 2500
<b>SMID Super Grannies</b>									
1	IES Holdings Inc	IESC	4,320	-	11/25/2024	279.68	215.94	-22.8%	-13.4%
2	Sterling Infrastructure Inc	STRL	5,001	25.1x	11/25/2024	196.33	162.84	-17.1%	-7.7%
3	Applied Industrial Technolog	AIT	9,381	22.9x	11/25/2024	278.55	244.01	-12.4%	-3.1%
4	United States Lime & Minerals	USLM	3,413	-	11/25/2024	148.55	119.36	-19.6%	-10.3%
5	Hims & Hers Health Inc	HIMS	5,412	24.6x	11/25/2024	31.35	24.77	-21.0%	-11.6%
<b>SMID Sleeper Grannies</b>									
1	Williams-Sonoma Inc	WSM	24,083	23.1x	11/25/2024	177.85	195.64	10.0%	19.3%
2	ePlus Inc	PLUS	2,023	13.9x	11/25/2024	83.21	75.47	-9.3%	0.0%
3	Impinj Inc	PI	4,023	53.7x	11/25/2024	193.63	142.20	-26.6%	-17.2%
4	Shake Shack Inc	SHAK	5,541	112.1x	11/25/2024	129.42	129.37	0.0%	9.3%
5	Cargurus Inc	CARG	3,667	18.8x	11/25/2024	35.83	35.28	-1.5%	7.8%

**44 SMID Granny Shot Ideas:** We performed our quarterly rebalance on 11/25. Full stock list here -> [Click here](#)



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### UMich 1Y & 5Y Inflation Expectations Past 20 years



Source: Fundstrat, Bloomberg

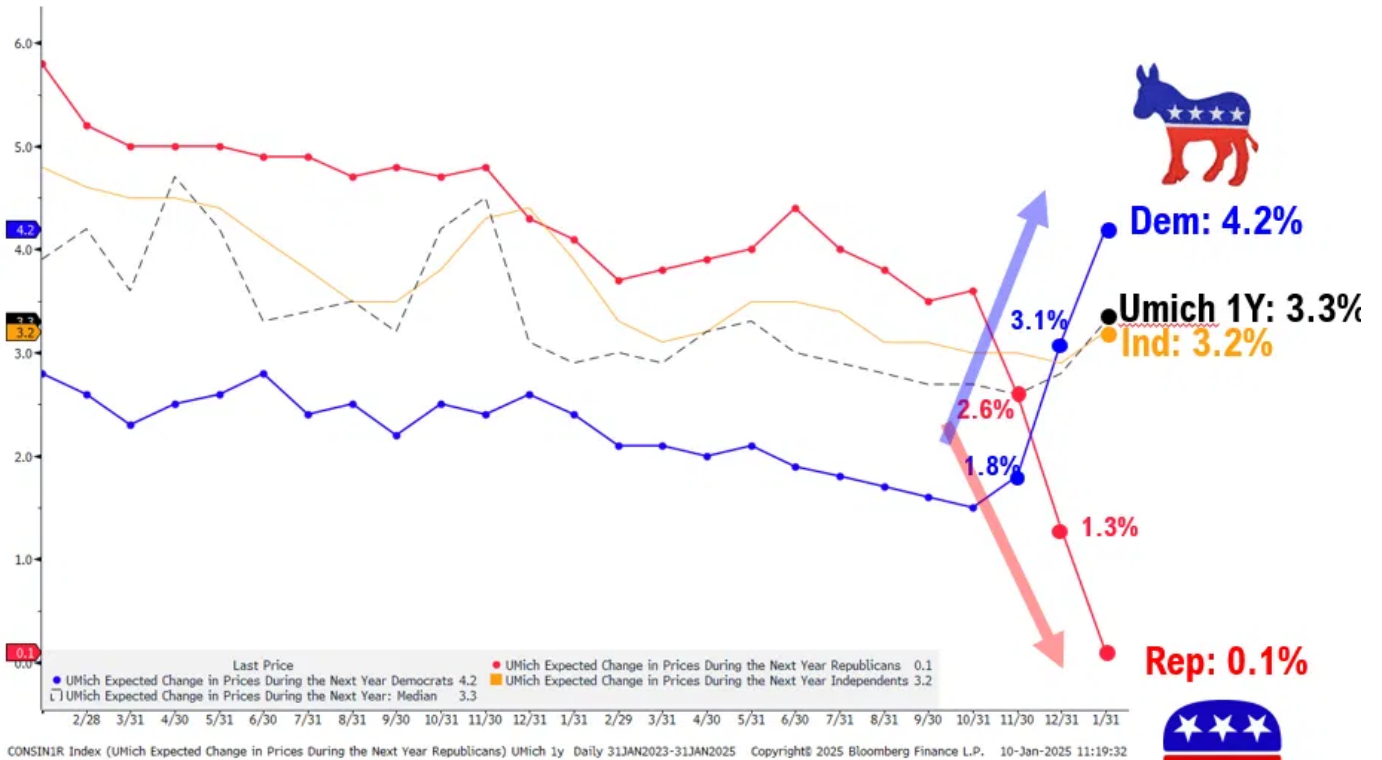
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# INFLATION: Primarily “problem” for opposing voters

Median 1-year inflation by party  
Last 24 Months



Source: Fundstrat, Bloomberg



Dem: 4.2%

Umich 1Y: 3.3%

Ind: 3.2%

Rep: 0.1%



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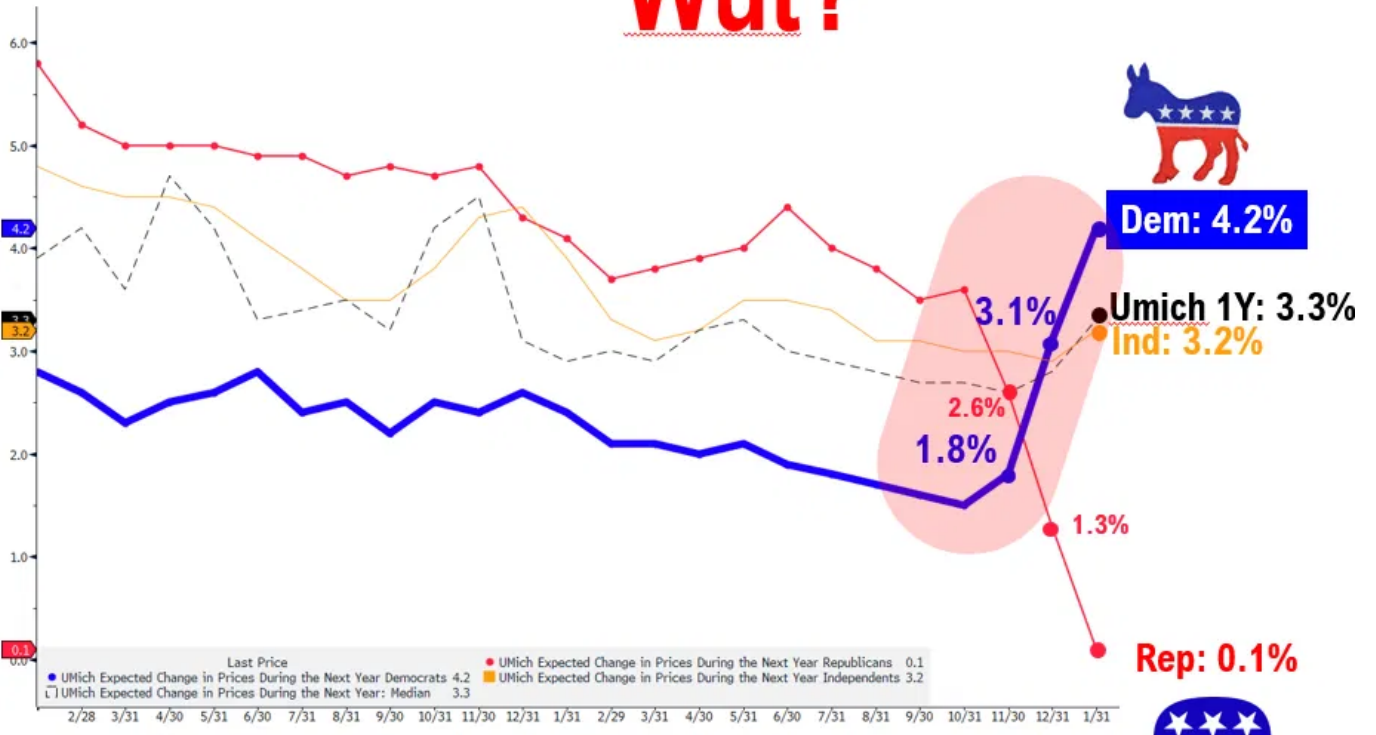
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# Wut?



CONSN1R Index (UMich Expected Change in Prices During the Next Year Republicans) UMich 1y Daily 31JAN2023-31JAN2025 Copyright© 2025 Bloomberg Finance L.P. 10-Jan-2025 11:21:13

Source: Fundstrat, Bloomberg

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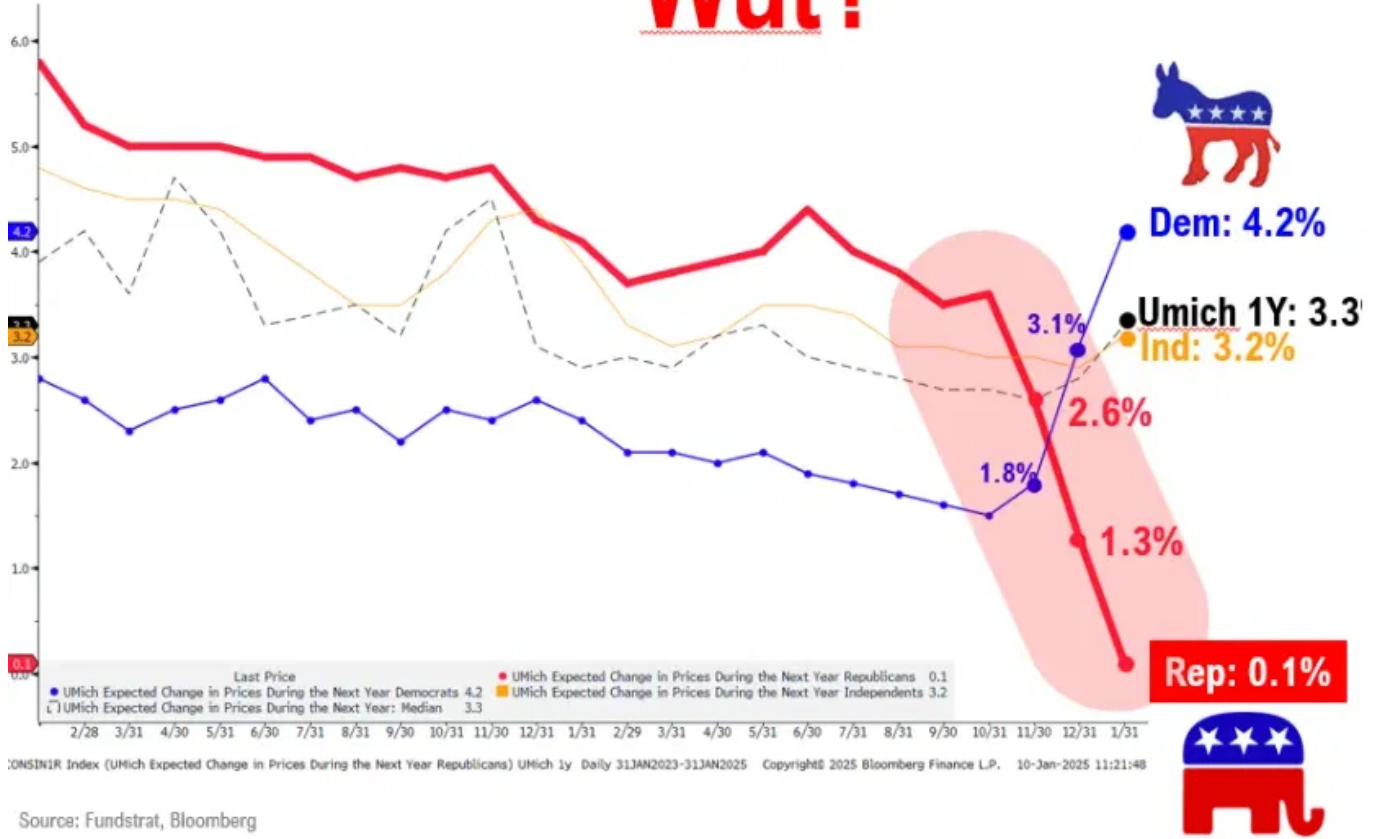




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ONSIN1R Index (UMich Expected Change in Prices During the Next Year Republicans) UMich 1y Daily 31JAN2023-31JAN2025 Copyright© 2025 Bloomberg Finance L.P. 10-Jan-2025 11:21:48

Source: Fundstrat, Bloomberg



United States		Browse	11:32:45	01/10/25	-	01/			
Economic Releases		All Economic Releases	View <input type="radio"/> Agenda <input type="radio"/> We						
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior R
21)	01/10 08:30				Change in Nonfarm Payrolls	Dec	165k	256k	227k
22)	01/10 08:30				Two-Month Payroll Net Revision	Dec	--	-8k	56k
23)	01/10 08:30				Change in Private Payrolls	Dec	140k	223k	194k
24)	01/10 08:30				Change in Manufact. Payrolls	Dec	5k	-13k	22k
25)	01/10 08:30				Average Hourly Earnings MoM	Dec	0.3%	0.3%	0.4%
26)	01/10 08:30				Average Hourly Earnings YoY	Dec	4.0%	3.9%	4.0%
27)	01/10 08:30				Average Weekly Hours All Employees	Dec	34.3	34.3	34.3
28)	01/10 08:30				Annual Revisions: Household Survey Data				
29)	01/10 08:30				Unemployment Rate	Dec	4.2%	4.1%	4.2%
30)	01/10 08:30				Labor Force Participation Rate	Dec	62.5%	62.5%	62.5%
31)	01/10 08:30				Underemployment Rate	Dec	--	7.5%	7.8%
32)	01/10 10:00				U. of Mich. Sentiment	Jan P	74.0	73.2	74.0
33)	01/10 10:00				U. of Mich. Current Conditions	Jan P	75.1	77.9	75.1
34)	01/10 10:00				U. of Mich. Expectations	Jan P	72.7	70.2	73.3
35)	01/10 10:00				U. of Mich. 1 Yr Inflation	Jan P	2.8%	3.3%	2.8%
36)	01/10 10:00				U. of Mich. 5-10 Yr Inflation	Jan P	3.0%	3.3%	3.0%

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