



Your Weekly Roadmap

January 10, 2025

Stocks Slip But Manage Gains for Key 'First Five Days'

Our Views

**Tom Lee, CFA, CFA^{AC}**

HEAD OF RESEARCH

- 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.
- 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.
- The U Mich data point intensified selling of equities and pushed rates higher because this suggests that US consumers are expecting accelerating inflation. However, in my view, this is solely due to the political divide and the election of Trump to the White House.
- Bottom line, this is turbulent for markets near term, but keep in mind, we don’t see fundamentals changing due to this U Mich report nor the December jobs report.

[Read the Latest First Word](#)



Mark L. Newton, CMT^{AC}

HEAD OF TECHNICAL STRATEGY

- SPX is still technically within its bearish short-term consolidation pattern that began nearly five weeks ago, and this week we have seen even more short-term bearish pressure, which could allow for a quick move to briefly undercut January lows.
- In my view, the short-term breakout in Treasury yields and U.S. Dollar remain bearish factors for equities, and some evidence of yields peaking will be important to trust any bounce in the equity market.
- Overall, my thesis is that a short-term low is approaching, but it still might take another 2-3 days before prices reach support. Thereafter, my work suggests that this should allow for a bounce into the Presidential inauguration.
- Bottom line, given Technology stocks like AAPL and NVDA are both nearing support, I suspect that SPX might attempt a bottom by early next week and begin to bounce into mid-to-late January. However, the extent of the breadth deterioration has proven severe in recent weeks. A rapid about-face increase in market breadth will be necessary to avoid February's weakness in Equities, which I believe is increasingly likely given the extent of short-term breadth deterioration.

[Read the Latest Daily Technical Strategy](#)



Sean Farrell^{AC}

HEAD OF CRYPTO STRATEGY

- Many investors had a negative reaction to this week's news that the Department of Justice has won approval to sell roughly \$6.5 billion worth of Bitcoin seized from Silk Road. However, our view is that the macro picture is the larger driver of recent market weakness.
- In our view, any DOJ sale will likely not resemble a large market order, and it will likely come after the Presidential inauguration, when other factors could mitigate or negate the effects of any supply overhang.
- In the meantime, any hot prints in upcoming macro data could send us lower, so while it's tough to advise trying to get too cute in the near term, there could be opportunities for those with dry powder to deploy.

[Read the Latest Crypto Strategy](#)



L . Thomas Block

WASHINGTON POLICY STRATEGIST

- Key Republicans are expected to travel to Mar-a-Lago this weekend to meet with President-elect Trump ahead of his inauguration.
- Members of the conservative House Freedom Caucus found themselves at odds with Trump during this transition period, so the soon-to-be 47th President is likely to want to meet with them.
- Their views on the debt ceiling are likely to be a key topic of discussion, what with the U.S. approaching the legal debt ceiling.

[Read the Latest US Policy.](#)



Wall Street Debrief — Weekly Roundup

Key Takeaways

- The S&P 500 closed the week down 0.71% at 5,827.04. The Nasdaq fell 0.62% to 19,161.63, while Bitcoin was at \$94,748.57 on Friday afternoon, up about 2.4% from Monday levels.
- Based on the "rule of first five days," Fundstrat Head of Research Tom Lee sees a strong probability for full-year gains for equities.
- Nevertheless, he is in agreement with Head of Technical Strategy Mark Newton that near-term turbulence is a distinct possibility.

"Earlier in my life I thought the things that mattered were the things that you could see, like your car, your house, your wealth, your property, your office. But as I've grown older I've become convinced that the things that matter most are the things that you can't see — the love you share with others, your inner purpose, your comfort with who you are." – President Jimmy Carter

Good evening,

Thus far in 2025, we have yet to see a full trading week, with U.S. markets closed on Thursday to honor the passing of President Jimmy Carter. But the first five trading days of the year have been good, which Fundstrat Head of Research Tom Lee says bodes well for the rest of the year. "If you close positive in the first five days of the year, this vastly improves the probability that the full year will end up positive as well," he reminded us. Indeed, as shown in our Chart of the Week, in historical instances in which the preceding year saw gains of more than 10% and stocks then advanced during the first five days of the year, stocks ended the rest of the year up 82% of the time.



Nevertheless, a sharp selloff on Friday caused stocks to close down for a second consecutive week. Yields spiked and equities fell after what Head of Technical Strategy Mark Newton described as a “Goldilocks economic report.” The market entered a “good news is bad news theme” as investors appeared to view strong jobs numbers as increasing the odds of a resurgence of inflation – thus a higher probability of a slower pace for Fed cuts.

Lee doesn’t believe inflation is accelerating, pointing to wage growth holding steady at 3.9% from a year ago. He also highlighted what Chicago Fed President Austin Goolsbee noted on Friday—this is not a level associated with wage-driven inflationary pressures.

There was also some concern after the University of Michigan survey of one-year-forward inflation expectations rose unexpectedly to 3.3%, up from 2.8% last month. Lee pointed out the likely role of political partisanship – the inflation expectations of those identifying as Democrats surged while those of Republicans fell, with supporters on both sides flipping their views between October and January. “To me, this means this U Mich inflation survey looks ‘very political’ because the only change between October and now is the Republicans taking the White House and Congress (and the Harris White House loss).”

Together, these sent the VIX briefly above 20 on Friday, “a sign of panic and a sign we are nearing a bottom,” in Lee’s view, as he warned us that “this is turbulent for markets near term.”

That’s consistent with Newton’s technical analysis-based perspective as well. Newton noted that the S&P 500 is still technically within its bearish short-term consolidation pattern. On Wednesday, he also warned that “SPX looks likely to undercut 5,829 post Friday’s jobs report,” and it did just that, closing the week at 5,827.04. Looking further out, he suggested that based on his work, technical support lies near 5,700. “I suspect that SPX might attempt a bottom by early next week and begin to bounce into mid-to-late January,” he told us.

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 January 2025 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.

Elsewhere

The wildfires ravaging Los Angeles are on track to become the costliest blaze in U.S. history. JPMorgan estimates that insured losses could exceed \$20 billion, exceeding the \$12.5 billion in insured damages from the 2018 Camp Fire. Some estimate economic losses at almost \$50 billion as of Friday afternoon. About 29,000 acres around Los Angeles have been devastated, and around 10,000 buildings have been damaged or destroyed.

An earthquake struck the foothills of the Himalayas in Tibet, claiming at least 126 victims as of Friday afternoon, making it one of China's deadliest quakes in years. The tremor, measuring 7.1 in magnitude, struck an area about 50 miles from the base of Mount Everest and destroyed an estimated 3,600 buildings, Chinese state media reported.

Nvidia unveiled a new generation of gaming graphics cards, hewing back to its roots as a developer of gaming-related technology. The cards incorporate the company's new Blackwell architecture and propose to improve graphics by first rendering images at low resolution and then using AI to convert them into higher-quality graphics. Perhaps of more interest to AI researchers is Nvidia's new Project DIGITS, a desktop computer for AI research that promises up to 1 petaflop (i.e., one quadrillion floating-point operations per second) of performance that begins at \$3,000.

China's headline consumer inflation rate slipped 0.1% year-over-year in December, sustaining fears that the country could soon fall into outright deflation. The figure was 0.2% in November. Wholesale prices are already in deflation, with China's December PPI equivalent coming in at -2.3% YoY and -0.1% MoM.

The International Longshoreman's Association reached a tentative agreement with owners of East Coast and Gulf Coast ports that, if ratified, would conclusively resolve a dockworkers strike that was suspended in October. Workers returned back to work after port owners agreed to a 62% pay increase, but differences over the introduction of automation technology remained. It is unclear how the issue was resolved – the ILA had originally sought an outright and total ban on any automation efforts whatsoever.

Nippon Steel and U.S. Steel filed a joint lawsuit against the U.S. government, alleging that President Biden blocked Nippon's acquisition of US Steel under false pretenses. Biden had cited national security concerns in blocking the merger, and President-elect Trump has been outspoken in his opposition to the deal. Legal experts are skeptical of the lawsuit's chances of succeeding.

The U.S. Department of Defense added China's Tencent to a list of businesses with purported ties to China's military. Tencent is now one of 134 firms on the DoD's Section 1260H list. The company owns WeChat, a ubiquitous messaging and so-called "everything app" on which Chinese consumers rely for a wide range of functionality, from mobile payments and messaging to social networking, bill-paying, travel booking, rideshare, and meal deliveries.

Meta ended fact-checking on Facebook and Instagram in a move observers said was viewed to court favor with the Trump administration. Instead, over the next few months, Meta will implement a "Community Notes" model similar to the one Elon Musk uses on X.



Important Events

Core PPI MoM, December

Tue, Jan 14 8:30 AM ET

Est.: 0.2% Prev.: 0.2%

Core CPI MoM, December

Wed, Jan 15 8:30 AM ET

Est.: 0.2% Prev.: 0.3%

Federal Reserve Beige Book, January

Wed, Jan 15 2:00 PM ET

Retail Sales Ex-Autos and Gas, December

Thu, Jan 16 8:30 AM ET

Est.: 0.4% Prev.: 0.2%



Stock List Performance

Strategy	YTD	YTD vs S&P 500	Inception vs S&P 500	
SMID Granny Shots	+7.58%	+8.08%	+22.00%	View
Upticks	+29.19%	-1.36%	+30.55%	View



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