

Key 'First Five Days' Action Constructive, but Near-Term Turbulence Ahead

Last week was an abridged trading week, as markets closed on Thursday to honor the passing of President Jimmy Carter. The week itself **closed with a sharp selloff on Friday**. 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 regime”** 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 Austan 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. 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.

 Live Webinar

Sean Farrell's 2025 Crypto Outlook

January 14, 2025 @ 11am ET

Sean Farrell
Head of Crypto Strategy



Chart of the Week

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.

Recent *Flash Insights*



Mark L. Newton, CMT_ AC

Head of Technical Strategy

The inability to mount any kind of meaningful intra-day reversal points to a bit more weakness into early next week ahead of Wednesday's CPI. That could be a pivotal event, if SPX reaches 5700 and might coincide with a reversal. For now, we see that the breakdown in Equal-weighted S&P 500 (**RSP▼-1.57%**) on Financials and Healthcare weakness still makes it difficult to expect an immediate snapback as price has undercut the lows going back since December and has reached the lowest levels since last September. This might lead to another couple days of weakness into next week, and both trends and momentum remain bearish in the short run, as part of bullish intermediate-term patterns.



Jan 10 • 3:45 PM



Mark L. Newton, CMT_{AC}

Head of Technical Strategy

This morning's Goldilocks Economic report has led Treasury yields to spike yet again and given the recent correlation with Treasuries and Equities, the "Good News is bad news" theme is causing Equities to sell off as thoughts of less Fed action is being priced into the curve. S&P has broken early January lows, while TNX has exceeded last Spring's highs at 4.74%. With regards to SPX, the most likely target lies near 5700-5725 for SPX, or around 100 points lower. Breadth is decidedly negative as might be expected at around 6/1 negative, and the volume is around 2/1 negative, but not nearly as capitulative to think that lows are imminent today- ARMS index, or TRIN is trading .66 and we'll need to see readings nearly at 2 to think that fear is setting in.



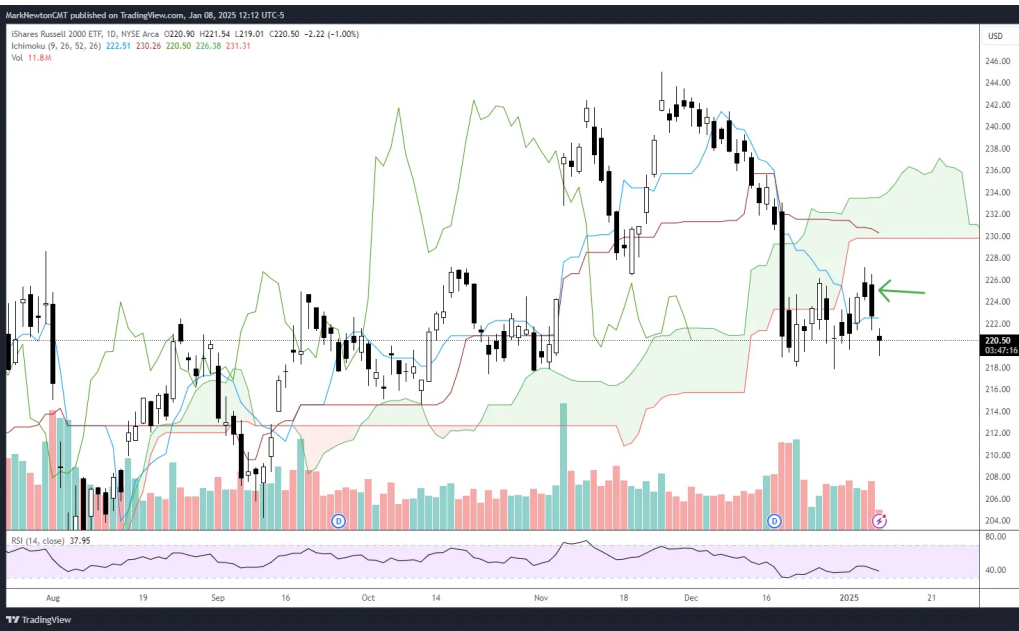
Jan 10 • 10:39 AM



Mark L. Newton, CMT_{AC}

Head of Technical Strategy

Small-caps have not responded positively to the recent backing up in rates and the last couple days of weakness have suggested a brief move down to new monthly lows might be needed before the Russell 2000 ETF (**IWM** ∇ -2.53%) gets to support. I'll discuss this in tonight's report but it appears still early to thinking this is bottoming



Jan 8 • 3:10 PM

FSI Video: Weekly Highlight






Key incoming data

- ~~1/6 9:45 AM ET: Dec F S&P Global Services PMI~~ **Tame**
- ~~1/6 10:00 AM ET: Nov F Durable Goods Orders~~ **Tame**
- ~~1/7 8:30 AM ET: Nov Trade Balance~~ **Tame**
- ~~1/7 10:00 AM ET: Dec ISM Services PMI~~ **Tame**
- ~~1/7 10:00 AM ET: Nov JOLTS Job Openings~~ **Tame**
- ~~1/8 9:00 AM ET: Dec F Manheim Used vehicle index~~ **Tame**
- ~~1/8 2:00 PM ET: Dec FOMC Meeting Minutes~~ **Tame**
- ~~1/10 8:30 AM ET: Dec Non-Farm Payrolls~~ **Hot**
- ~~1/10 10:00 AM ET: Jan P.U. Mich. Sentiment and Inflation Expectation~~ **Hot**
- 1/13 11:00 AM ET: Dec NY Fed 1yr Inf Exp
- 1/14 6:00 AM ET: Dec Small Business Optimism Survey
- 1/14 8:30 AM ET: Dec PPI
- 1/15 8:30 AM ET: Dec CPI
- 1/15 8:30 AM ET: Jan Empire Manufacturing Survey
- 1/15 2:00 PM ET: Jan Fed Releases Beige Book
- 1/16 8:30 AM ET: Dec Retail Sales Data
- 1/16 8:30 AM ET: Jan Philly Fed Business Outlook
- 1/16 10:00 AM ET: Jan NAHB Housing Market Index
- 1/17 9:00 AM ET: Jan M Manheim Used vehicle index
- 1/17 4:00 PM ET: Nov Net TIC Flows



 Live Webinar and Member Q&A

Market Update & Top Ideas

January 15, 2025 @ 1 pm ET



Tom Lee, CFA
Head of Research

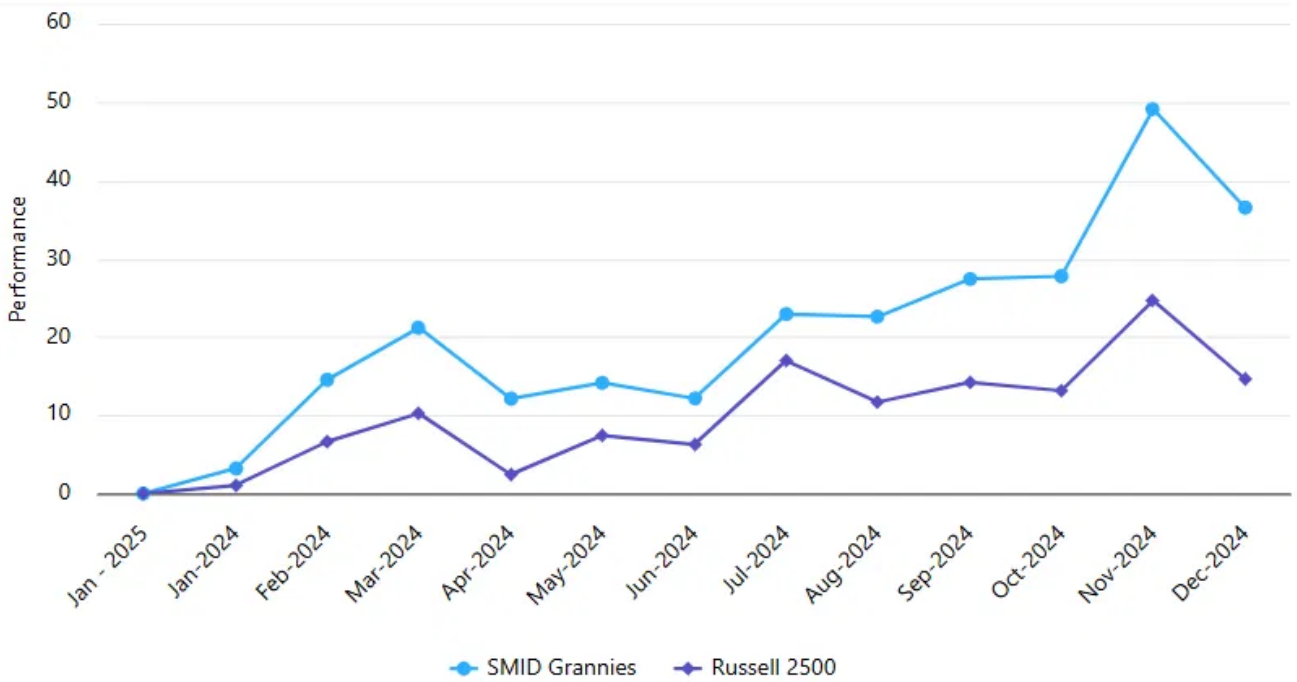


Mark Newton, CMT
Head of Technical Strategy

Stock List Performance



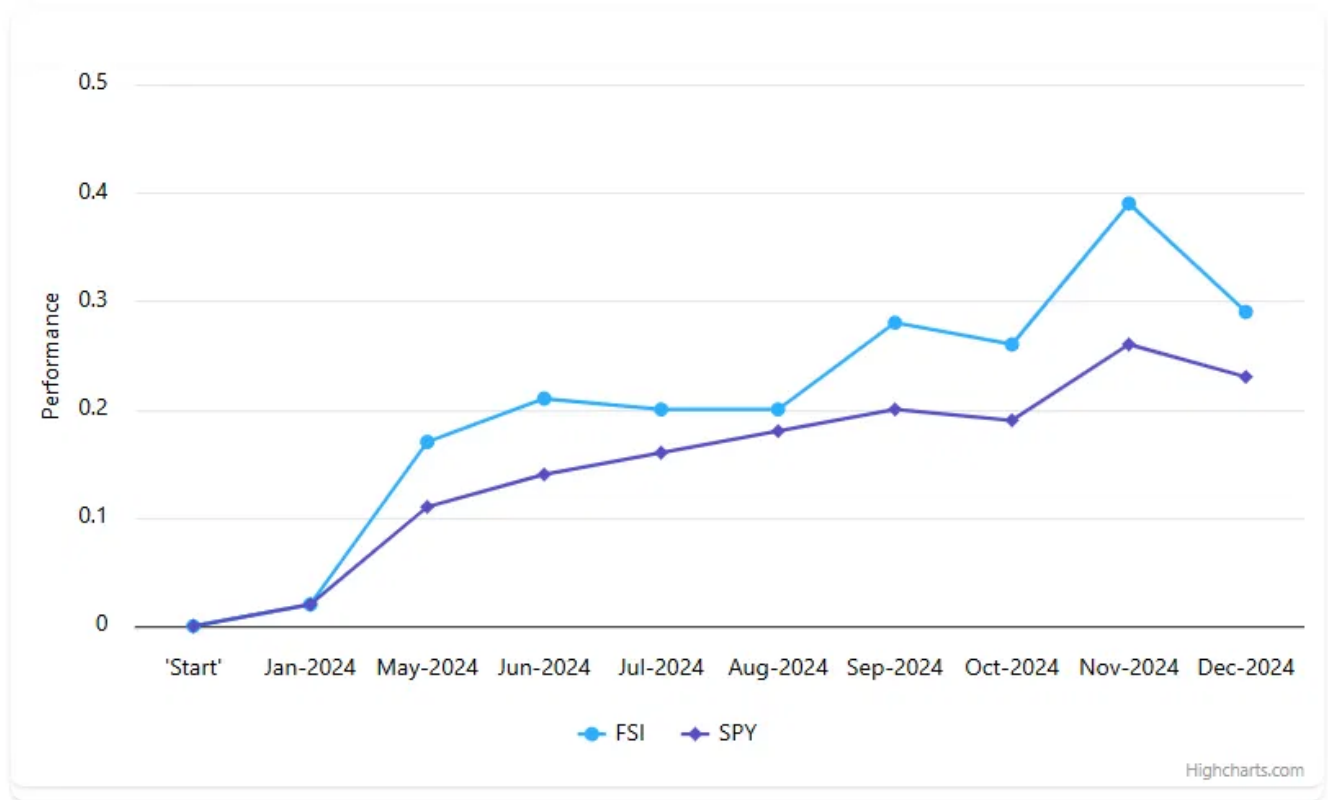
Year to Date SMID Granny Shots Performance



Highcharts.com

Performance period: January 01, 2025 through January 08, 2025

Upticks Against the SPY (Year to Date)



Performance period: January 01, 2025 through January 10, 2025

In the News

NASDAQ COMPOSITE
19,603.58 +322.78 +1.67% ▼
INTRA DAY

TOM LEE | FUNDSTRAT GLOBAL ADVISORS
Managing Partner & Head of Research

It's still a buy-the-dip market, says Fundstrat's Tom Lee

Jan 3, 2025



	FUTURE CHG	FAIR VALUE	IMPLIED OPEN
S&P 500	-70.25	-5.16	-65.09
DJIA	-414.00	-40.79	-373.21
NASDAQ	-296.00	-25.49	-270.51

MARKET ALERT: FUTURES AT PRE-MARKET LOWS

S&P 500 could get close to 7,000 in the first half of next year, says Fundstrat's Tom Lee

Dec 30, 2024



MARKET ALERT: S&P 500 NOW POSITIVE FOR DECEMBER FOLLOWING TUESDAY GAIN



There's a lot more tailwinds building for markets in 2025, says Fundstrat's Tom Lee

Dec 26, 2024



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