

Has Capitulation Taken Place?

Softer-than-expected economic data and strong bank earnings drove the stock market last week to **reverse all of its early 2025 losses**. The S&P 500 is **up about 2% year to date**. Fundstrat Head of Research Tom Lee believes that there are **“signs of market capitulation.”**

The best news last week came on Wednesday from the December consumer-price index report, which showed prices rose 2.9% from a year ago and 0.4% from a month ago. **Core CPI**, which excludes the volatile food and energy components, **notched its smallest gain since July** and reversed three months of rising readings.

In response, the benchmark 10-year Treasury yield fell to 4.653%, and the S&P 500 logged its **best day since Nov. 6**. Stocks held onto those gains to finish the week higher. The S&P 500 added 1%, while the Nasdaq Composite rallied 1.5%. Both notched their best week since the presidential election.

“This was a positive week with a positive development from the extinguishing of inflation hysteria,” Lee said. Yet, while it may look like the market’s new year doldrums are over, Lee added that a **“full capitulation is arguably not here.”**

Head of Technical Strategy Mark **Newton believes the same**. “It’s not wrong to continue to refer to this short-term price action as being part of a bearish short-term consolidation, which began in early December,” he said. “even though this, in turn, is part of a larger bullish uptrend.”

Still, **the velocity of change in yields is also something he says is important to watch for all risk assets**. **“We need to see evidence of yields rolling over** before you can really have conviction that the equity market is going to have a sustained gain,” Newton said.



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Sean Farrell
Head of Crypto Strategy



Chart of the Week

After last Wednesday's dovish CPI print, Fundstrat Head of Research Tom Lee said there are at least two reasons to believe why the trend of lower core CPI readings could continue. First, comparisons from last year (when readings were higher) would be arguably easier to beat. Second, one of the biggest CPI components—shelter—is “cooling sharply” and has been since early 2024. Our Chart of the Week shows more details.

Recent ⚡ Flash Insights



Mark L. Newton, CMT_{AC}

Head of Technical Strategy

Today marks a solid day for Breadth again this week and SPX has rallied to within striking distance of Jan 6 highs. A couple important short-term developments as the Wave structure has gotten better based on today's move above 5965. While this doesn't signal a move straight back to new highs, it does signal that 1/13 lows likely won't be undercut right away. Thus, there is some short-term resistance into today/Monday near 6021. However, next week's pullback likely should only retrace 50% or so of the rally this week before turning back higher in stronger fashion. Thus, it's right to expect that despite some likely consolidation next week that prices did in fact bottom on 1/13 and are en route back to new all-time highs eventually. As shown below, there hasn't been structural change to the trend. However, sentiment had gotten worse into recent days, while breadth has proven much better this week. Overall, it's right to be bullish into mid-February, but expect some stalling out in all likelihood that could begin Monday, taking SPX down to 5900-5925 before turning up and moving to new highs into late January/early February

Jan 17 • 11:24 AM



Mark L. Newton, CMT_ AC

Head of Technical Strategy

AAPL ▲0.68% decline today is a minor negative given its weight within

^SPX ▲0.95% and **QQQ ▲1.60%** and as daily charts show, the stock is set to

make the lowest daily close since mid-November. Given AAPL's importance within SPX, this stock remains important to concentrate on, and will need to stabilize before being able to suggest that a move back to new highs is imminent. Under 230 might very well lead to 220 in short run, but would be a very attractive risk/reward on any further weakness that undercuts 225 and will be right to watch for signs of bottoming.



Jan 16 • 12:40 PM



Mark L. Newton, CMT_{AC}

Head of Technical Strategy

CPI core came in +0.2% vs. 0.3% which is just what the market wanted to see. Bond yields have dropped sharply (10-yr Yields lower by 10 bp) along with the US Dollar (-0.40% while Equity futures have jumped 1-1.65% on S&P and NASDAQ Futures) Price is nearing resistance on S&P so important to see this move stick and see breadth expand meaningfully. Banks showed largely very good earnings across the board and Financials are likely to outperform today. Given that Core inflation running 2.5% and Job market has stabilized, there aren't more cuts being priced in as a result of today's inflation data, and this likely will take some time. Overall, a good outcome for today's data, but S&P futures will require a move above 6020 to truly break out, and this rise is part of the ongoing consolidation since mid-December



Jan 15 • 9:10 AM

FSI Video: Weekly Highlight

Macro Minute


Thomas J. Lee, CFA
Co-Founder, Head of Research



Key incoming data

- ~~1/13 11:00 AM ET: Dec NY Fed 1yr Inf Exp~~ **Tame**
- ~~1/14 6:00 AM ET: Dec Small Business Optimism Survey~~ **Tame**
- ~~1/14 8:30 AM ET: Dec PPI~~ **Tame**
- ~~1/15 8:30 AM ET: Dec CPI~~ **Tame**
- ~~1/15 8:30 AM ET: Jan Empire Manufacturing Survey~~ **Tame**
- ~~1/15 2:00 PM ET: Jan Fed Releases Beige Book~~ **Tame**
- ~~1/16 8:30 AM ET: Dec Retail Sales Data~~ **Tame**
- ~~1/16 8:30 AM ET: Jan Philly Fed Business Outlook~~ **Mixed**
- ~~1/16 10:00 AM ET: Jan NAHB Housing Market Index~~ **Tame**
- 1/24 9:45 AM ET: Jan P S&P Global Manufacturing PMI
- 1/24 9:45 AM ET: Jan P S&P Global Services PMI
- 1/24 10:00 AM ET: Jan F U. Mich. Sentiment and Inflation Expectation
- 1/24 10:00 AM ET: Dec Existing Home Sales



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Tom Lee, CFA
Head of Research



Mark Newton, CMT
Head of Technical Strategy

Stock List Performance

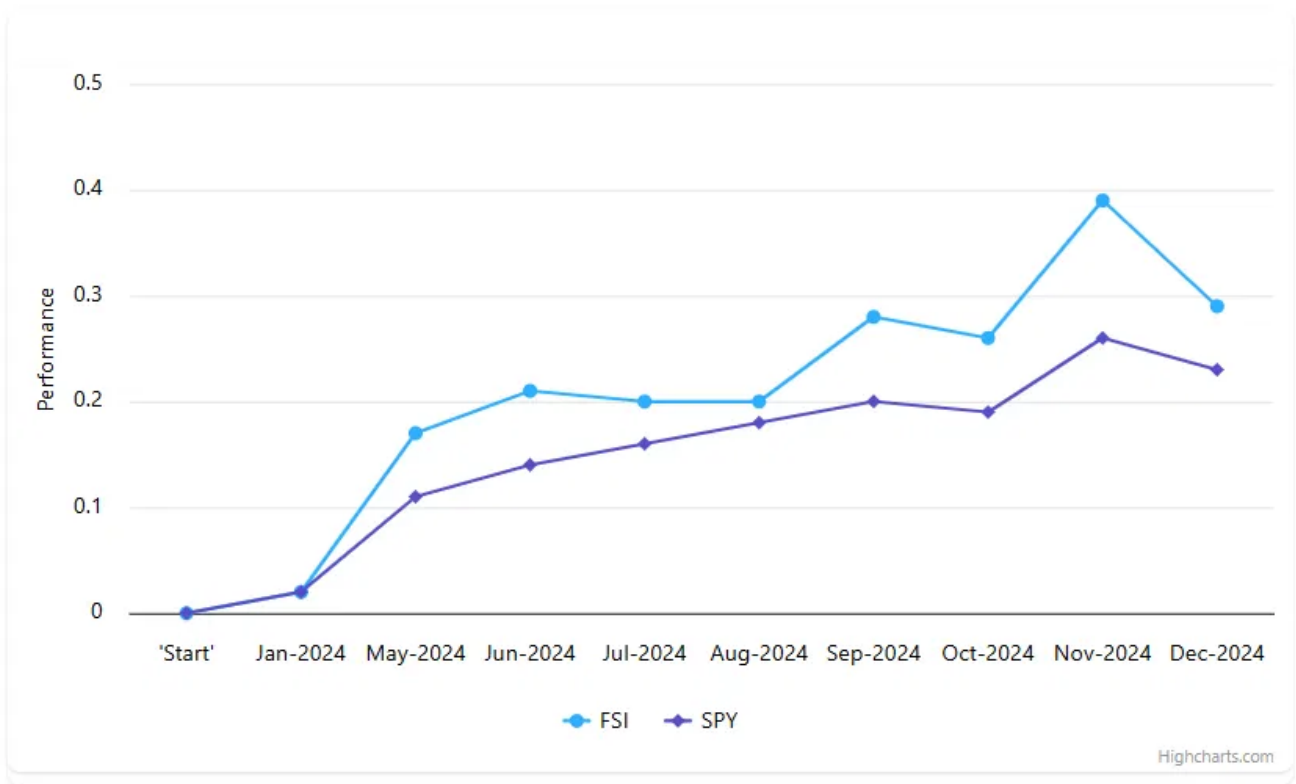


Year to Date SMID Granny Shots Performance



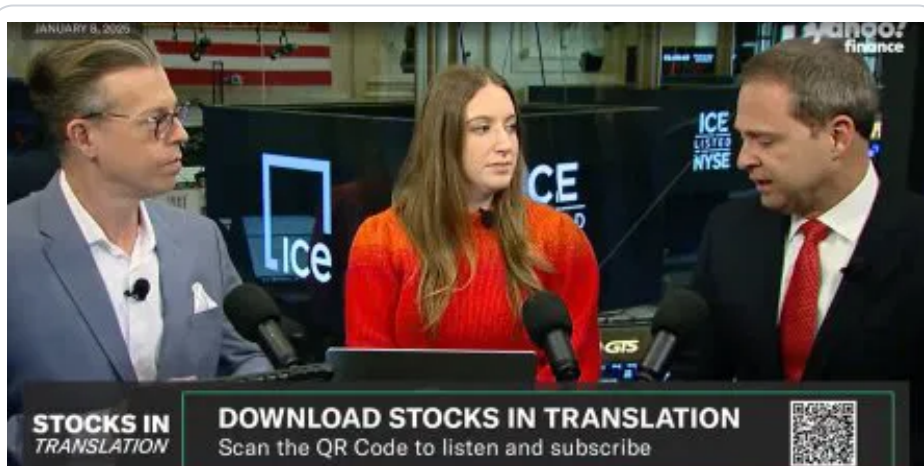
Performance period: January 01, 2025 through January 17, 2025

Upticks Against the SPY (Year to Date)



Performance period: January 01, 2025 through January 15, 2025

In the News



What is mean reversion and how to use it

Jan 16, 2025



Long-term market trends remain in very good shape, says Fundstrat's Mark Newton

Jan 16, 2025



Inflation is setting up for some good comps, says



Fundstrat's Tom Lee

Jan 15, 2025



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