

■ First Word

February 25, 2025

The trading of NVDA into EPS is essentially the worst in 5 year, further adding to probability of a rally post-EPS Wed



**Tom Lee, CFA AG**

HEAD OF RESEARCH

▶ Live Webinar and Q&A

Wednesday, February 26 @ 3pm ET

## Fireside Chat with Tom Lee & Anthony Scaramucci

Reserve Your Seat



Tom Lee, CFA  
Head of Research,  
Fundstrat



Anthony Scaramucci  
Founder & Managing Partner  
of SkyBridge Capital

VIDEO: NVDA has rarely seen negative returns into its earnings report and in past 8 weeks is down -3.7%. Outside of 2022 bear market, this has never happened

Please click below to view our [Macro Minute](#) (duration: 5:34).



We have several important developments to highlight, including a continued pullback in momentum, renewed policy risk, upcoming earnings from Nvidia, and crucial macro data that could shift the Fed's rate trajectory.

Momentum continues to weaken, but at a slower pace

- In the last two trading days of last week, \$MTUM fell by 5%, and despite an attempt to stabilize, it slid another 1% today.
- This ongoing weakness prompts the question of whether markets can turn around this week. Some investors remain optimistic, but the near-term direction is still uncertain.

Late-day policy risk has reemerged following Trump's press conference

- At around 3:30 PM, President Trump reiterated that tariffs would move forward, rekindling concerns about trade and policy.
- This overshadowed any midday stabilization, dragging equities and momentum stocks lower as investors recalibrated for possible headwinds.

Mark Newton's technical perspective hints at a possible near-term bottom

- Mark Newton noted that a bounce could occur soon, but a brief failure of that bounce followed by a minor new low might form a final leg of this pullback.
- The 200-day moving average stands out as a critical technical level. This aligns with the pattern seen in the last six pullbacks of 5% or more over the past seven months.

\$HIMS earnings disappoint, but the bad news may be priced in

- \$HIMS reported after the close and dropped 17% in after-hours trading. However, considering the stock was trading at \$16 six months ago, some see today's action as pricing in most of the negative news.
- The reported opening price near \$42 is not far below the day's low of \$43.81, suggesting the initial shock may already be largely absorbed.

Key macro releases on Monday signal mixed economic conditions:

- The January Chicago Fed reading came in stronger than expected, while the January Dallas Fed reading was weaker than anticipated:
  - 2/24 Mon 8:30 AM ET: Jan Chicago Fed Nat Activity Index **-0.03 vs -0.05e**
  - 2/24 Mon 10:30 AM ET: Feb Dallas Fed Manuf. Activity Survey **-8.3 vs 6.4e**
  - 2/25 Tue 9:00 AM ET: Dec S&P CS home price 20-City MoM **0.40%e**
  - 2/25 Tue 10:00 AM ET: Feb Conference Board Consumer Confidence **103e**
  - 2/26 Wed 10:00 AM ET: Jan New Home Sales **675ke**
  - **2/26 Wed 3:00 PM ET: Fireside Chat with Anthony Scaramucci**
  - 2/27 Thu 8:30 AM ET: 4Q S 2024 GDP Annualized QoQ **2.3%e**
  - 2/27 Thu 8:30 AM ET: Jan P Durable Goods Orders MoM **2.0%e**
  - 2/28 Fri 8:30 AM ET: Jan Core PCE MoM **0.28%e**

- There is also Fed speak this week, with three FOMC members speaking tomorrow:
  - 2/25 Tue 4:20 AM ET: Logan Speaks at Balance Sheet Conference
  - 2/25 Tue 11:45 AM ET: **Barr** Gives Remarks on Financial Stability With Q&A
  - 2/25 Tue 1:00 PM ET: Barkin Speaks on Inflation
  - 2/26 Wed 12:00 PM ET: Bostic Speaks on Economic Outlook, Housing
  - 2/27 Thu 9:15 AM ET: **Schmid** Gives Remarks at USDA Event
  - 2/27 Thu 10:00 AM ET: **Barr** Speaks on Novel Activity Supervision
  - 2/27 Thu 11:45 AM ET: **Bowman** Speaks on Community Banking
  - 2/27 Thu 1:15 PM ET: Hammack Gives Keynote Speech at Conference
  - 2/27 Thu 3:15 PM ET: Harker Gives Speech on Economic Outlook
  - 2/28 Fri 10:15 PM ET: **Goolsbee** Speaks in Moderated Q&A

Nvidia's earnings are a pivotal event this season

- \$NVDA reports after the close on Wednesday, and the stock remains above its 20-day moving average of 12,960.
- Historical trading patterns show Nvidia often rallies into and after earnings, averaging a 16% gain from eight weeks before to one month after results. Currently down 3.7% over the past eight weeks, the stock's pre-earnings dip is atypical outside the 2022 bear market period.

January Core PCE on Friday may accelerate the likelihood of a May rate cut

- A tame reading could push the probability of a May cut beyond the current 27%, possibly heading toward 100% if inflation trends continue to soften.
- This scenario would be bullish for equities, supporting the notion that the recent pullback could be just a "flesh wound" rather than a sustained downturn.

***Bottom Line: A close watch on momentum, policy headlines, and Nvidia's earnings will be key in determining if this pullback proves to be only a "flesh wound" before markets stabilize.***

But the bigger message is that we expect investors to buy the dip. We believe this should be the key takeaway this week. And secondarily, that the market participation is broadening beyond MAG7.

There are six reasons that show 2025 tracking better than our base case:

- Barometer “first 5 days” positive = 82% win-ratio
- Sentiment capitulation on Dec to Jan chop = good
- Inflation tracking “softer” than consensus view
- Fears of “day 1 tariffs” overblown = USD weaker
- Cyclical leading YTD = risk-on signal
- **January barometer “positive” = 89% win-ratio**
- January 2025 closed +2.7%. This is the January barometer “as January goes, so goes the year”:
  - The January barometer is as follows:
    - **If January positive:**
    - **Median FY +19%, 89% win-ratio**
    - **If January negative:**
    - **Median FY +0%, 50% win-ratio**
- The top sector ideas remain:
  - Bitcoin
  - Small-caps
  - Financials
  - Industrials
  - Technology



Week of 2/23 - 2/28:



Thomas Lee, CFA  
Head of Research

First Word  
Report

Macro Minute  
Video

Sunday



Monday



Tuesday



Wednesday



Thursday



Friday





Feb 24, 2025



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

		Inclusion data...				Performance...		
	Ticker (s)	Current price	Date added	Inclusion price	# Days	Absolute	Rel vs S&P 500	
1	Small-caps	IWM	216.2	12/10/24	236.7	76	-9%	-8%
1	Financials	XLF	51.0	12/10/24	49.7	76	3%	3%
	- Regional Banks	KRE	61.0	12/10/24	65.5	76	-7%	-6%
1	Bitcoin/Bitcoin-Related	BTC	92,795	12/10/24	96,911	76	-4%	-3%
2	Industrials	XLI	134.2	12/10/24	139.0	76	-3%	-3%
3	Technology	XLK	231.5	12/10/24	236.0	76	-2%	-1%
	- FAANG stocks	NYFANG+	13,106	12/10/24	12,983	76	1%	2%
3	Communication Services	XLC	103.2	12/10/24	100.3	76	3%	4%
	Consumer Discretionary	XLY	217.6	12/10/24	232.4	76	-6%	-6%
	Real Estate/REITs	XLRE	42.4	12/10/24	43.2	76	-2%	-1%

2025 Underweights

1	Consumer Staples	XLP	82.4	12/10/24	82.6	76	0%	1%
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\* Market cap figures for IBP, KRE, and sectors are the respective ETF market caps.

Source: Fundstrat and Bloomberg

fundstrat		Feb 24, 2025			Inclusion data...		Performance...	
	Ticker	Market Cap	P/E Yr+1	Date added	Price When Added	Current Price	Absolute	Rel vs S&P 500
<b>Super Grannies</b>								
1	Meta Platforms Inc	META	1,692,814	22.2x	2/19/2025	703.77	668.13	-5.1% -2.4%
2	JPMorgan Chase & Co	JPM	730,734	13.3x	2/19/2025	279.25	261.34	-6.4% -3.8%
3	S&P Global Inc	SPGI	167,964	27.7x	2/19/2025	542.70	533.22	-1.7% 0.9%
4	Accenture PLC	ACN	227,873	26x	2/19/2025	390.22	363.91	-6.7% -4.1%
5	Amazon.com Inc	AMZN	2,254,243	25.5x	2/19/2025	226.63	212.71	-6.1% -3.5%
<b>Sleeper Grannies</b>								
1	MicroStrategy Inc	MSTR	72,769	-	2/19/2025	318.67	282.76	-11.3% -8.6%
2	Advanced Micro Devices	AMD	175,190	17.2x	2/19/2025	114.69	108.11	-5.7% -3.1%
3	PayPal Holdings Inc	PYPL	74,440	13.4x	2/19/2025	78.36	75.25	-4.0% -1.4%
4	Eaton Corp PLC	ETN	114,549	21.5x	2/19/2025	309.43	289.85	-6.3% -3.7%
5	Microsoft Corp	MSFT	3,003,329	26.9x	2/19/2025	414.77	404.00	-2.6% 0.0%

fundstrat		Feb 24, 2025			Inclusion data...		Performance...	
	Ticker	Market Cap	P/E Yr+1	Date added	Price When Added	Current Price	Absolute	Rel vs Russell 2500
<b>SMID Super Grannies</b>								
1	Hims & Hers Health Inc	HIMS	11,210	42.7x	11/25/2024	31.35	51.31	63.7% 72.6%
2	AppLovin Corp	APP	149,566	42.1x	2/19/2025	494.17	410.45	-16.9% -12.8%
3	Spotify Technology SA	SPOT	122,635	44.1x	2/19/2025	642.73	601.61	-6.4% -2.3%
4	Interactive Brokers Group Inc	IBKR	91,314	27.1x	2/19/2025	232.65	214.61	-7.8% -3.7%
5	Carvana Co	CVNA	44,092	42.5x	2/19/2025	281.82	215.65	-23.5% -19.4%
<b>SMID Sleeper Grannies</b>								
1	IonQ Inc	IONQ	6,760	-	1/14/2025	29.51	31.24	5.9% 7.3%
2	ePlus Inc	PLUS	1,780	14.5x	11/25/2024	83.21	66.89	-19.6% -10.7%
3	Zscaler Inc	ZS	30,235	55.2x	2/19/2025	214.67	197.05	-8.2% -4.1%
4	Semler Scientific Inc	SMLR	426	-	2/19/2025	52.22	44.38	-15.0% -10.9%
5	EnerSys	ENS	3,981	9.8x	2/19/2025	101.56	100.98	-0.6% 3.5%

**45 SMID Granny Shot Ideas:** We performed our quarterly rebalance on 2/18. Full stock list here -> [Click here](#)



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**Key incoming data February:**

- ~~2/3 9:45 AM ET: Jan F S&P Global Manufacturing PMI~~ **Tame**
- ~~2/3 10:00 AM ET: Jan ISM Manufacturing PMI~~ **Tame**
- ~~2/4 10:00 AM ET: Dec JOLTS Job Openings~~ **Tame**
- ~~2/4 10:00 AM ET: Dec F Durable Goods Orders~~ **Tame**
- ~~2/5 8:30 AM ET: Dec Trade Balance~~ **Tame**
- ~~2/5 9:45 AM ET: Jan F S&P Global Services PMI~~ **Tame**
- ~~2/5 10:00 AM ET: Jan ISM Services PMI~~ **Tame**
- ~~2/6 8:30 AM ET: 4Q P Non-Farm Productivity~~ **Tame**
- ~~2/6 8:30 AM ET: 4Q P Unit Labor Costs~~ **Tame**
- ~~2/7 8:30 AM ET: Jan Non-Farm Payrolls~~ **Tame**
- ~~2/7 9:00 AM ET: Dec F Manheim Used Vehicle index~~ **Tame**
- ~~2/7 10:00 AM ET: Feb P U. Mich. Sentiment and Inflation Expectation~~ **Hot**
- ~~2/10 11:00 AM ET: Jan NY Fed 1yr Inf Exp~~ **Tame**
- ~~2/11 6:00 AM ET: Jan Small Business Optimism Survey~~ **Tame**
- ~~2/12 8:30 AM ET: Jan CPI~~ **Hot**
- ~~2/13 8:30 AM ET: Jan PPI~~ **Hot**
- ~~2/14 8:30 AM ET: Jan Retail Sales Data~~ **Tame**
- ~~2/18 8:30 AM ET: Feb Empire Manufacturing Survey~~ **Tame**
- ~~2/18 10:00 AM ET: Feb NAHB Housing Market Index~~ **Tame**
- ~~2/18 4:00 PM ET: Dec Net TIC Flows~~ **Tame**



- ~~2/19 9:00 AM ET: Jan M Manheim Used Vehicle index~~ **Tame**
- ~~2/19 2:00 PM ET: Jan FOMC Meeting Minutes~~ **Dovish**
- ~~2/20 8:30 AM ET: Feb Philly Fed Business Outlook~~ **Tame**
- ~~2/21 9:45 AM ET: Feb P S&P Global Manufacturing PMI~~ **Tame**
- ~~2/21 9:45 AM ET: Feb P S&P Global Services PMI~~ **Tame**
- ~~2/21 10:00 AM ET: Feb F U. Mich. Sentiment and Inflation Expectation~~ **Hot**
- ~~2/21 10:00 AM ET: Jan Existing Home Sales~~ **Tame**
- ~~2/24 8:30 AM ET: Jan Chicago Fed Nat Activity Index~~ **Tame**
- ~~2/24 10:30 AM ET: Feb Dallas Fed Manuf. Activity Survey~~ **Tame**
- 2/25 9:00 AM ET: Dec S&P CoreLogic CS home price
- 2/25 10:00 AM ET: Feb Conference Board Consumer Confidence
- 2/26 10:00 AM ET: Jan New Home Sales
- 2/27 8:30 AM ET: 4Q S GDP
- 2/27 10:00 AM ET: Jan P Durable Goods Orders
- 2/28 8:30 AM ET: Jan PCE Deflator

### Economic Data Performance Tracker 2025:



Data item	2025											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
S&P Global Manufacturing PMI	Tame	Tame										
ISM Manufacturing PMI	Tame											
JOLTS Job Openings												
Durable Goods Orders												
S&P Global Services PMI	Tame	Tame										
ISM Services PMI	Tame											
Trade Balance												
Non-Farm Payrolls	Tame											
Manheim Used Vehicle Index	Tame											
NYFed 1yr Inf Exp	Tame											
Small Business Optimism Survey	Tame											
CPI	Hot											
PPI	Hot											
FOMC Rate Decision	Tame											
FOMC Meeting Minutes	Tame											
Fed Releases Beige Book	Tame											
U. Mich.1-yr inflation Expectation	Hot	Hot										
Empire Manufacturing Survey	Tame	Tame										
Retail Sales Data	Tame											
Net TIC Flows												
NAHB Housing Market Index	Tame	Tame										
Philly Fed Business Outlook	Mixed	Tame										
Existing Home Sales	Tame											
Dallas Fed Manuf. Activity Survey	Tame	Tame										
Chicago Fed Nat Activity Index	Tame											
S&P CoreLogic CS home price												
Conference Board Consumer Confidence	Tame											
Existing Home Sales	Tame											
New Home Sales												
PCE Deflator												

Data item	2025			
	1Q	2Q	3Q	4Q
Treasury QRA Announcement				
Non-Farm Productivity				
Unit Labor Costs				
GDP				
Employment Cost Index				

Source: Fundstrat, Bloomberg

## Economic Data Performance Tracker 2024:



Data item	2024											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
S&P Global Manufacturing PMI	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
ISM Manufacturing PMI	Mixed	Tame	Mixed	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
JOLTS Job Openings	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
Durable Goods Orders			Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
S&P Global Services PMI	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
ISM Services PMI	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Mixed	Mixed	Tame	Tame
Trade Balance			Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
Non-Farm Payrolls	Hot	Mixed	Hot	Tame	Hot	Tame	Tame	Tame	Hot	Tame	Tame	Hot
Manheim Used Vehicle Index	Mixed	Tame	Tame	Tame	Tame	Tame	Mixed	Tame	Tame	Mixed	Mixed	Tame
NYFed 1yr Inf Exp	Tame		Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
Small Business Optimism Survey				Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
CPI	Mixed	Mixed	Hot	Tame	Tame	Tame	Tame	Tame	Hot	Tame	Tame	Tame
PPI	Mixed	Mixed	Tame	Mixed	Tame	Mixed	Tame	Tame	Tame	Tame	Mixed	Tame
FOMC Rate Decision	Dovish		Dovish		Dovish	Dovish	Dovish		Dovish		Dovish	Hawkish
FOMC Meeting Minutes	Dovish		Dovish		Dovish	Dovish	Dovish		Dovish		Dovish	Tame
Fed Releases Beige Book			Tame	Tame	Tame		Tame		Tame	Dovish		Dovish
U. Mich. 1-yr inflation Expectation	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
Empire Manufacturing Survey	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Hot	Tame
Retail Sales Data	Tame	Tame	Mixed	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
Net TIC Flows			Tame	Tame	Tame	Tame	Tame	Tame	Hot	Tame	Tame	Tame
NAHB Housing Market Index	Mixed	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
Philly Fed Business Outlook	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
Existing Home Sales				Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
Dallas Fed Manuf. Activity Survey	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
Chicago Fed Nat Activity Index			Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
S&P CoreLogic CS home price	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	
Conference Board Consumer Confidence	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
Existing Home Sales				Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
New Home Sales				Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
PCE Deflator	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame

Data item	2024			
	1Q	2Q	3Q	4Q
Treasury QRA Announcement		Tame	Tame	
Non-Farm Productivity	Tame	Tame	Tame	Tame
Unit Labor Costs	Tame	Tame	Tame	Tame
GDP	Tame	Tame	Tame	Tame
Employment Cost Index	Mixed	Tame	Tame	Tame

Source: Fundstrat, Bloomberg

### Economic Data Performance Tracker 2023:



Data item	2023											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
S&P Global Manufacturing PMI								Mixed		Tame	Tame	Mixed
ISM Manufacturing PMI					Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
JOLTS Job Openings					Tame	Tame	Tame	Hot	Mixed	Tame	Tame	Mixed
Durable Goods Orders												
S&P Global Services PMI											Tame	Tame
ISM Services PMI				Tame	Tame	Tame	Tame	Mixed	Tame	Mixed	Tame	Tame
Trade Balance												
Non-Farm Payrolls				Tame	Tame	Mixed	Tame	Tame	Mixed	Tame	Tame	Mixed
Manheim Used Vehicle Index				Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame	Tame
NYFed 1yr Inf Exp							Tame	Tame	Mixed	Tame	Tame	Tame
Small Business Optimism Survey												
CPI				Tame	Tame	Tame	Tame	Mixed	Mixed	Tame	Tame	Tame
PPI				Tame	Tame	Tame	Tame	Tame	Mixed	Tame	Tame	Tame
FOMC Rate Decision				Dovish	Dovish		Dovish		Hawkish		Dovish	Dovish
FOMC Meeting Minutes					Dovish			Mixed	Dovish		Dovish	Dovish
Fed Releases Beige Book									Tame	Tame	Tame	
U. Mich.1-yr inflation Expectation				Tame	Tame	Tame	Tame	Mixed	Tame	Tame	Tame	Tame
Empire Manufacturing Survey								Mixed	Tame	Tame	Tame	Tame
Retail Sales Data									Hot	Tame	Tame	Tame
Net TIC Flows												
NAHB Housing Market Index							Tame	Tame	Tame	Tame	Tame	Tame
Philly Fed Business Outlook								Tame	Mixed	Tame	Tame	Mixed
Existing Home Sales									Tame			
Dallas Fed Manuf. Activity Survey										Tame	Tame	Tame
Chicago Fed Nat Activity Index												
S&P CoreLogic CS home price				Tame	Tame	Tame		Mixed	Tame	Tame	Tame	Tame
Conference Board Consumer Confidence						Tame	Tame	Tame		Tame	Tame	Tame
Existing Home Sales									Tame			
New Home Sales												
PCE Deflator				Tame	Tame	Tame	Tame		Tame	Tame	Tame	Tame

Data item	2023			
	1Q	2Q	3Q	4Q
Treasury QRA Announcement				Tame
Non-Farm Productivity			Tame	Tame
Unit Labor Costs				
GDP			Mixed	Tame
Employment Cost Index		Tame	Mixed	

Source: Fundstrat, Bloomberg

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