

Marketing Deck

Looking ahead to 2026 argues for P/E expansion



Contributors

Thomas J. Lee, CFA ^{AC} 

Macro Strategy

Head of Research

inquiry@fsinsight.com

twitter: @Fundstrat

Ken Xuan, CFA, FRM 

Quantamental Strategy

Head of Data Science Research

twitter: @tirelessken



OUR TAKE: Time to look at 2026

Tariff Liberation Day was a “Black Swan”



THE BLACK SWAN



The Impact of the
HIGHLY IMPROBABLE

“The most prophetic voice of all.”
—GQ

Nassim Nicholas Taleb

'Black Swan' hedge fund Universa reaps 100% return amid tariff chaos, investor says

By Carolina Mandl

May 12, 2025 3:40 PM EDT · Updated 3 days ago



Aa



Summary

Companies

- Universa uses options to profit from severe market dislocations
- 'Black Swan' author Taleb is Universa's scientific adviser
- Universa gained 4,000% during March 2020 COVID market crash

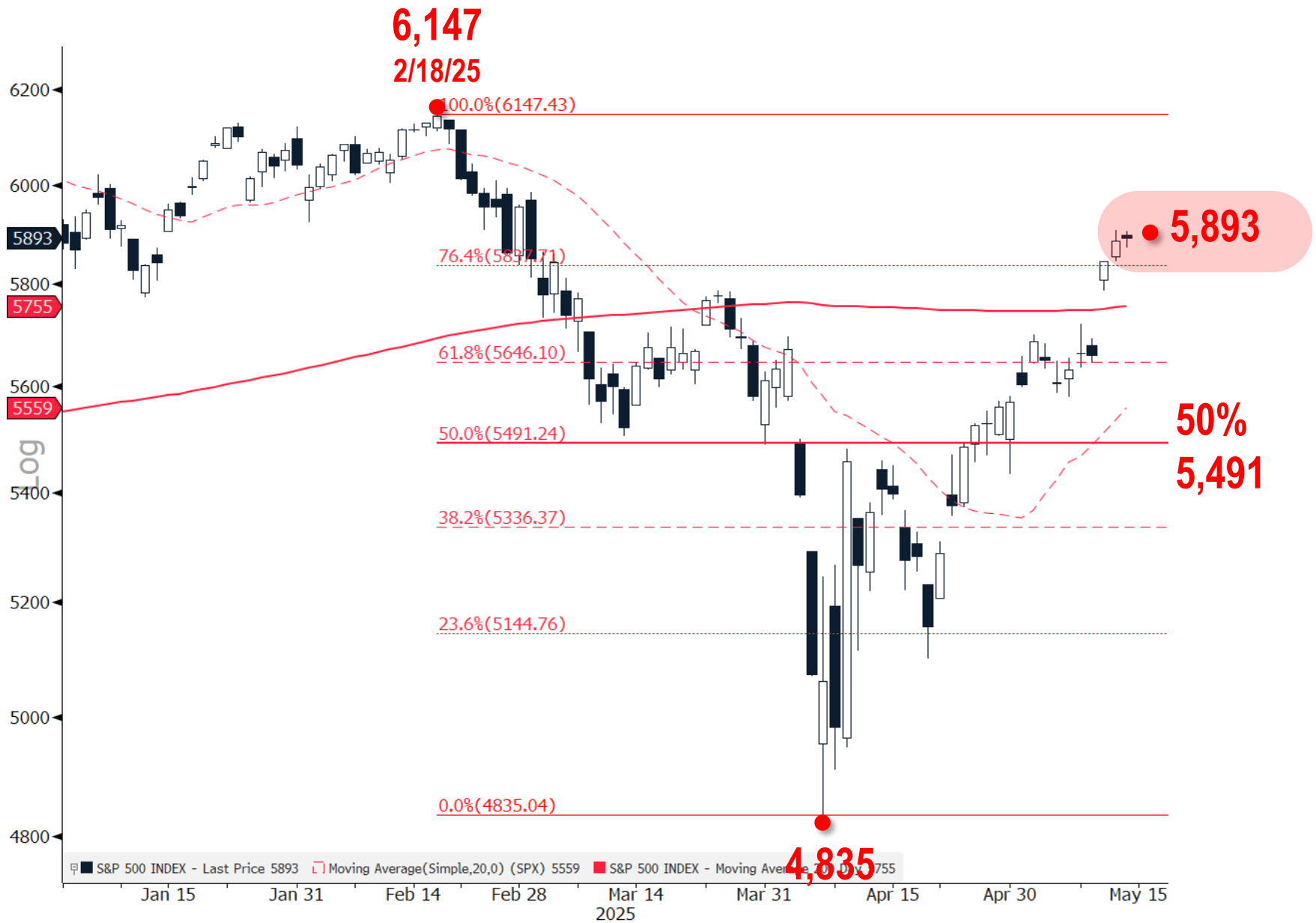
NEW YORK, May 12 (Reuters) - "Black Swan" hedge fund Universa Investments posted a 100% return on capital in a turbulent April for markets as U.S. President Donald Trump's administration unveiled new tariff-based trade policies, an investor who allocates money to the fund told Reuters.

A so-called tail-risk hedge fund with \$20 billion in assets under management, Universa specializes in risk mitigation against "black swan" events - unpredictable and high-impact drivers of market volatility.



S&P 500 Price Retracement Past 6M

Macro Research



SPX Index (S&P 500 INDEX) SPX 1Y Daily 31DEC2024-15MAY2025

Copyright© 2025 Bloomberg Finance L.P.

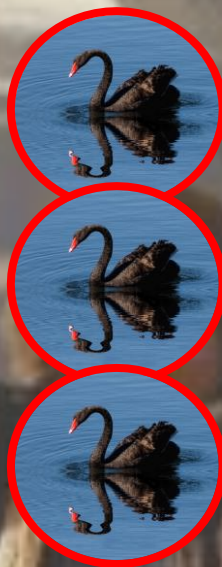
14-May-2025 21:56:31

Source: Fundstrat, Bloomberg



2025

Drug tariffs
Deep Seek
Tariffs 4/2



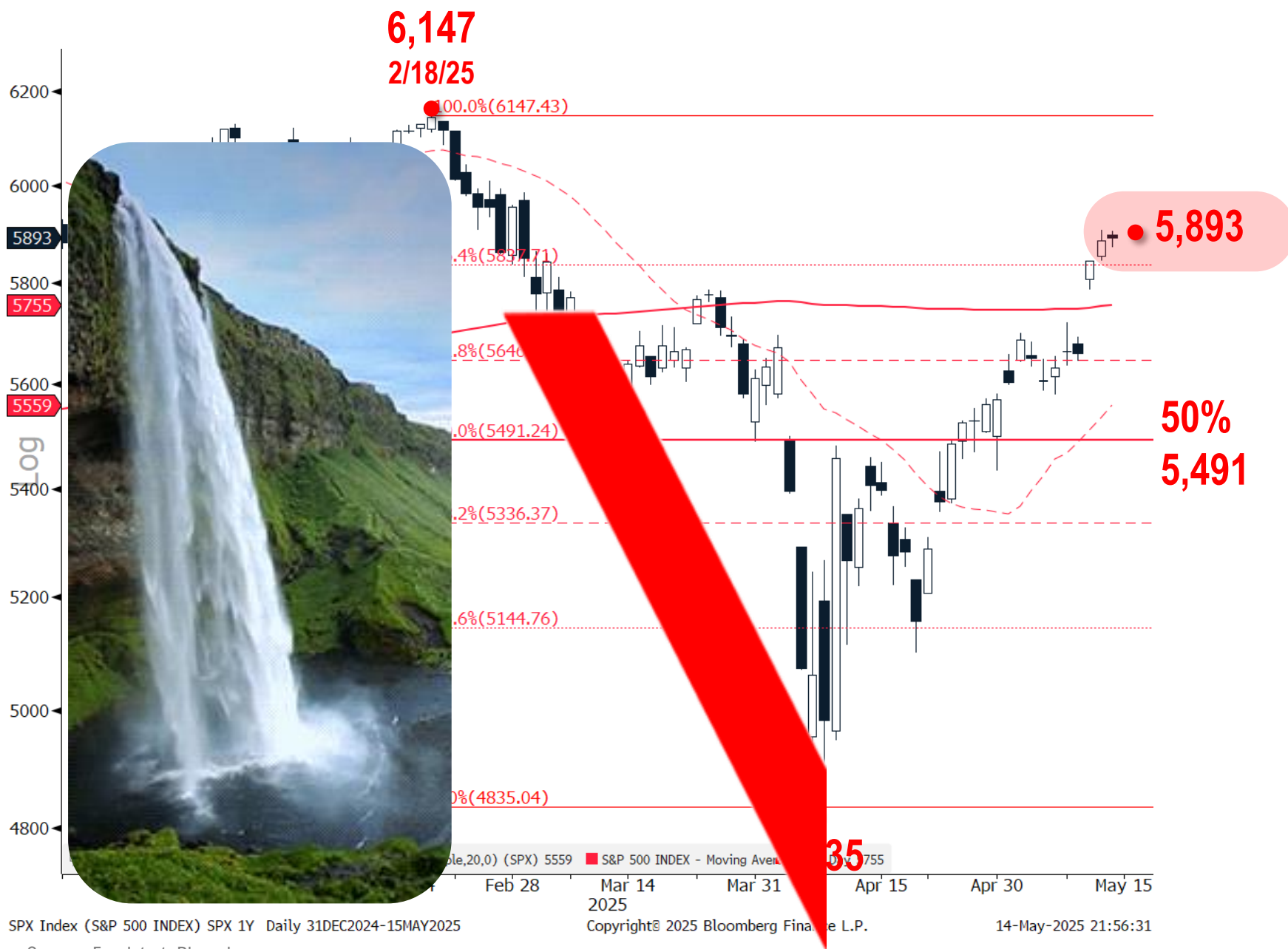
"Black Swan"



S&P 500 Price Retracement

Past 6M

Macro Research





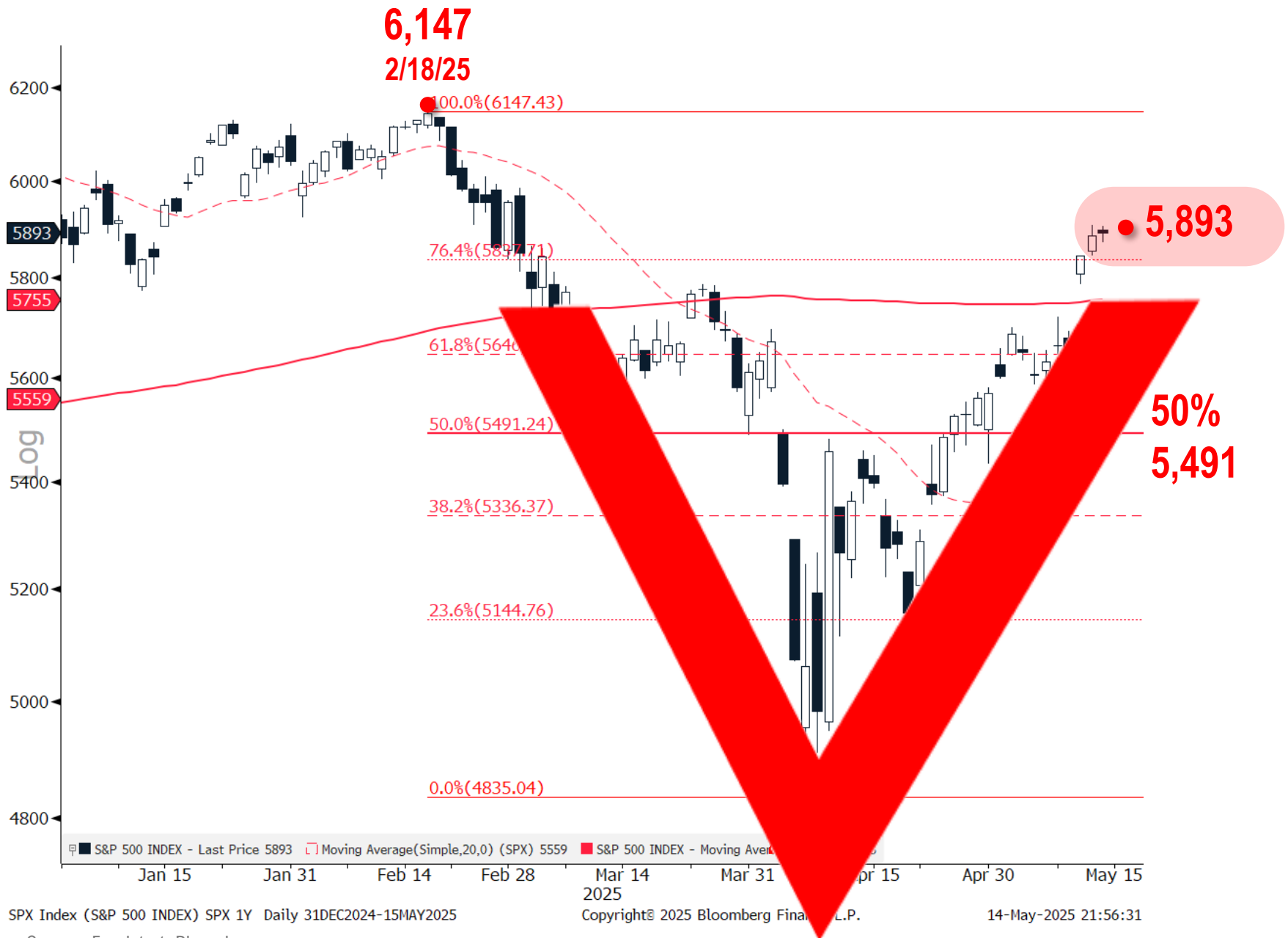
OUR TAKE: Patience needed

**Instead of a crash...
...V-shaped recovery**



S&P 500 Price Retracement Past 6M

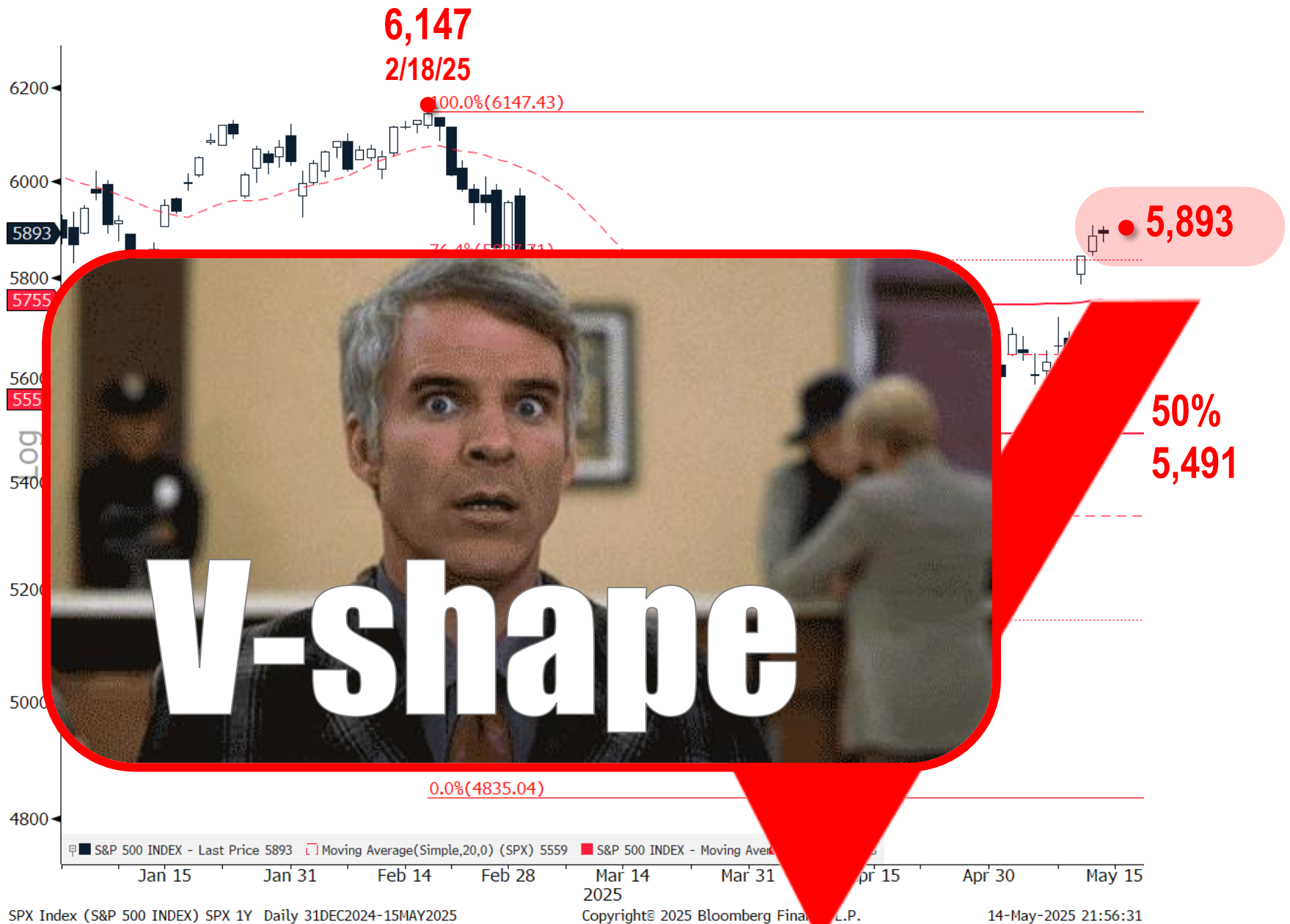
Macro Research





S&P 500 Price Retracement Past 6M

Macro Research



**OFF-SIDES: 5 reasons investors are off-sides**

- **Recession coming = sell USA equities**
- **Supply chain hit = short US cyclicals & small-caps**
- **VIX surge = institutions forced to de-risk**
- **End of “US exceptionalism” = sell USA, buy Europe**
- **Retail “bought the dip” = hedge funds short retail**

Global brokerages raise recession odds; J.P.Morgan sees 60% chance

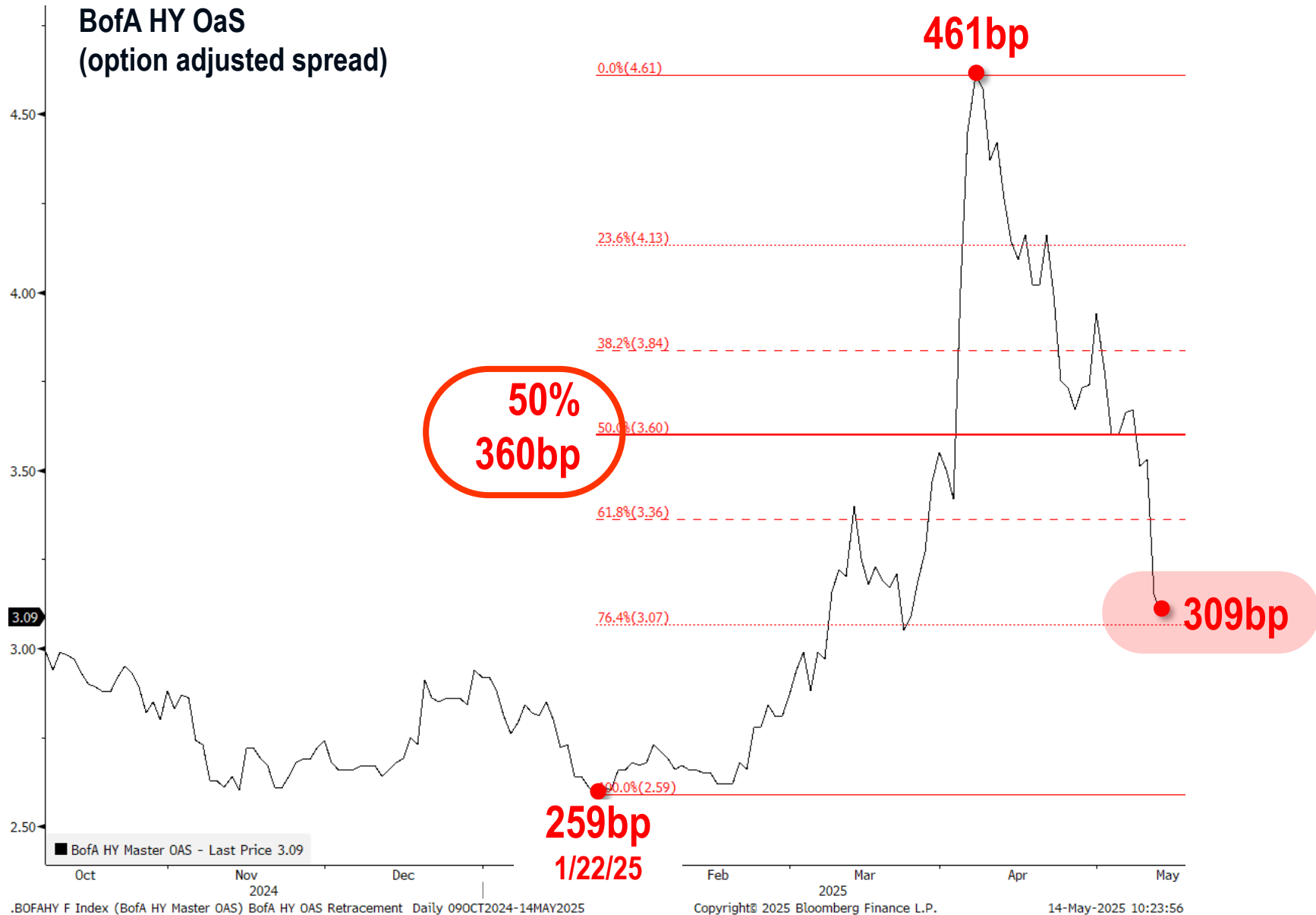
By Siddarth S

April 5, 2025 1:25 AM EDT · Updated a month ago





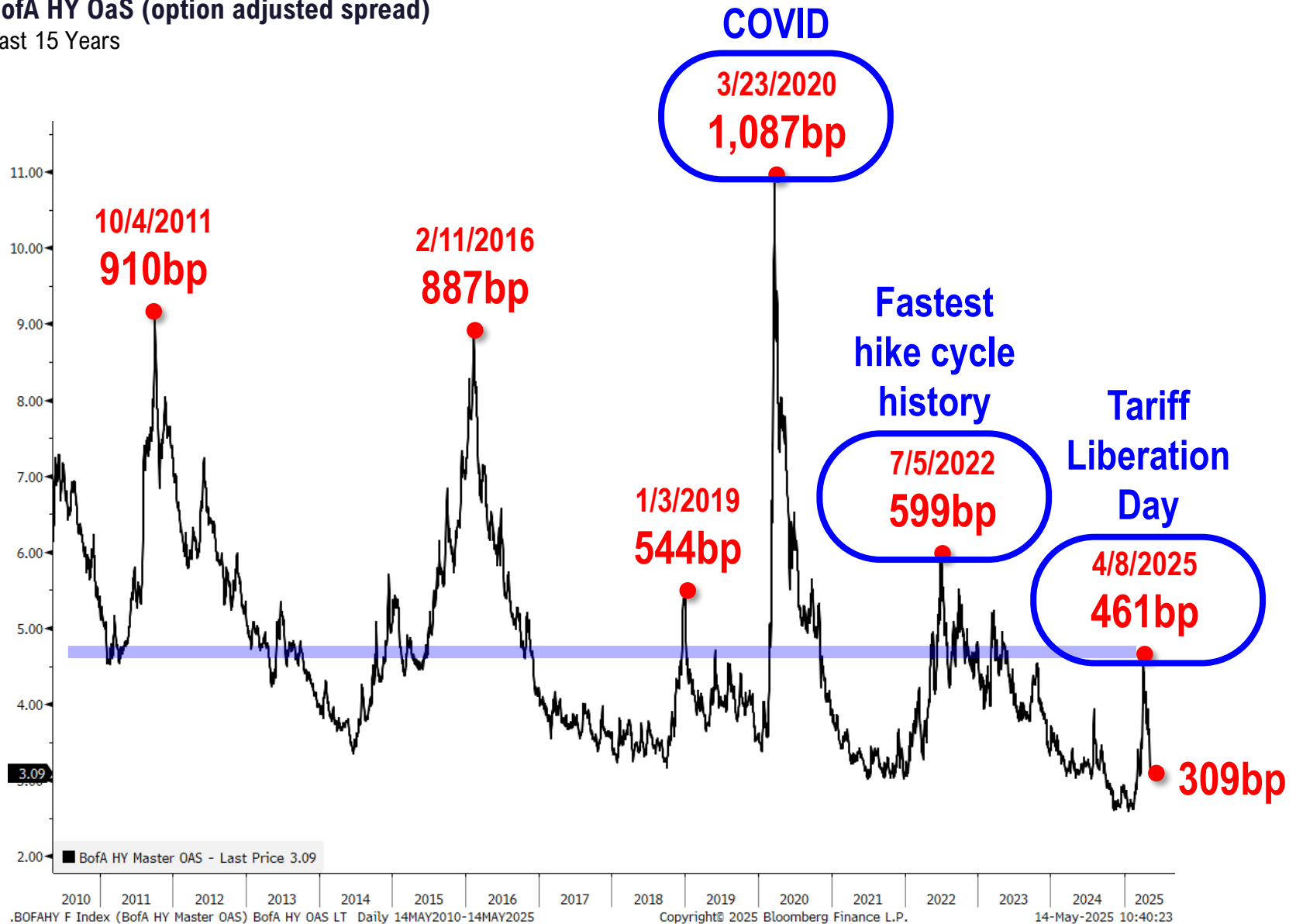
HIGH-YIELD: Recovered 50% of the widening of spreads



Source: Fundstrat, FRED, Bloomberg



BofA HY OaS (option adjusted spread) Past 15 Years



Source: Fundstrat, FRED, Bloomberg

ECONOMY · U.S. ECONOMY

JPMorgan lowers its recession odds as Trump strikes a temporary deal to drop tariffs on China

BY MARCO QUIROZ-GUTIERREZ

May 13, 2025 at 11:42 AM EDT



**OFF-SIDES: 5 reasons investors are off-sides**

- **Recession coming = sell USA equities**
- **Supply chain hit = short US cyclicals & small-caps**
- **VIX surge = institutions forced to de-risk**
- **End of “US exceptionalism” = sell USA, buy Europe**
- **Retail “bought the dip” = hedge funds short retail**



Marco Castelli
@macastel3



Containers bookings from China down 50% soon will be down 90%

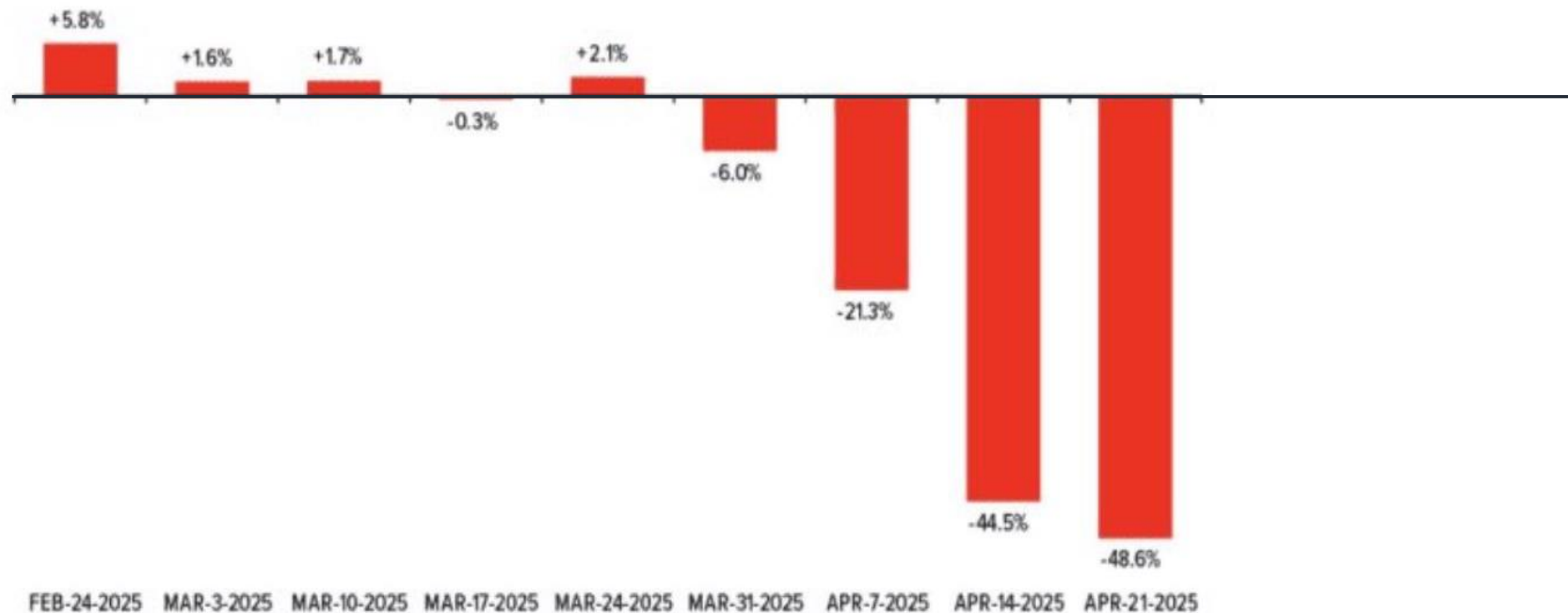
Yes some will be picked up by other countries but not all

You will see problems in late June / July at retailers level but also in industrials (US factories will have to stop production lines)



Container Bookings from China to the U.S. Are Falling Sharply

Year-over-Year Percent Change in Twenty-Foot Equivalent Units (TEUs)



Source: Vizion, U.S. Global Investors

24

40

134

31



SUPPLY CHAIN HIT: Investors betting ripples = recession

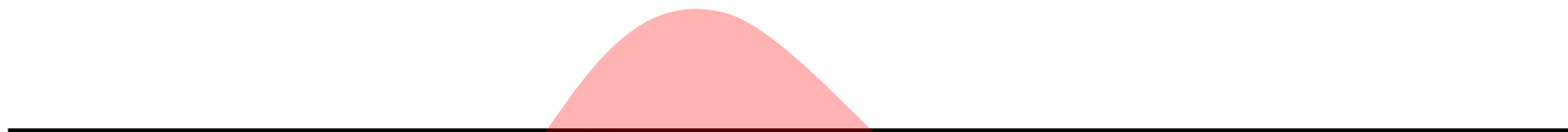
Containerships



Trucking



Warehouses



Retail stores





SUPPLY CHAIN HIT: Investors betting ripples = recession

Containerships

Trucking

Warehouses

Retail stores





THE WALL STREET JOURNAL.

Politics Economy Tech Markets & Finance Opinion Arts Lifestyle Real Estate

• 6 hours ago

China-to-U.S. Containership Bookings Leap 50%, Hapag-Lloyd Says

By Mark R. Long



Marco Castelli
@macastel3



Containers bookings from China down 50% soon will be down 90%

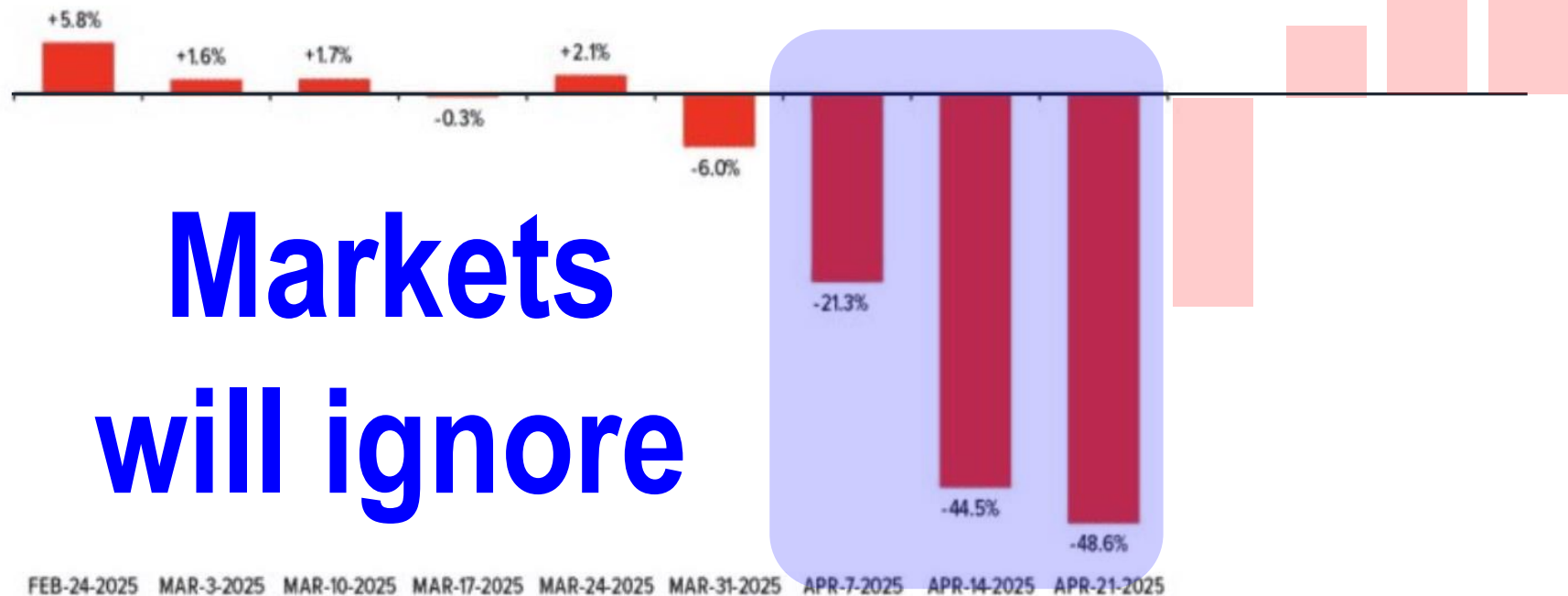
Yes some will be picked up by other countries but not all

You will see problems in late June / July at retailers level but also in industrials (US factories will have to stop production lines)



Container Bookings from China to the U.S. Are Falling Sharply

Year-over-Year Percent Change in Twenty-Foot Equivalent Units (TEUs)



Markets will ignore

Source: Vizion, U.S. Global Investors

24

40

134

31



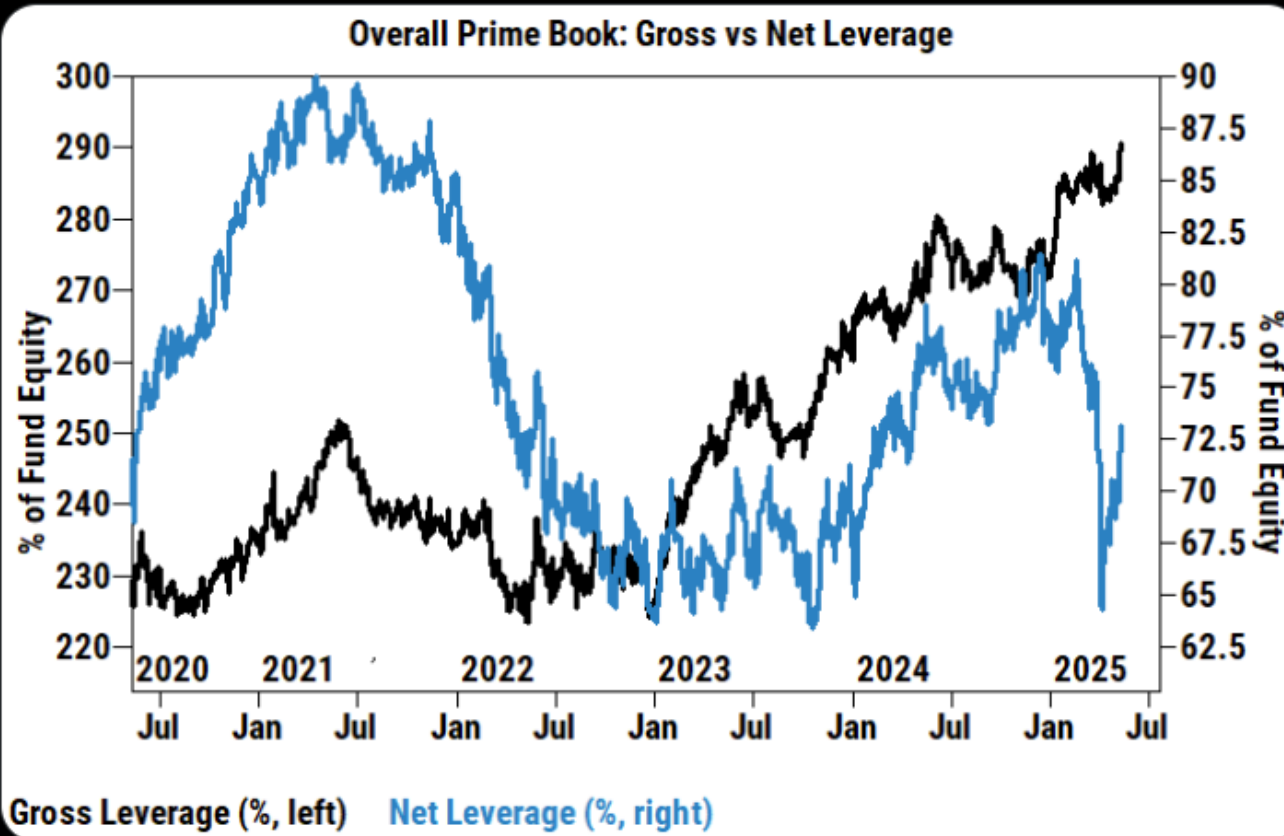
Markets & Mayhem

@Mayhem4Markets

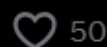


Hedge fund gross leverage is very elevated, but net leverage remains quite low. This tells us that their books are still lopsided to the short side. A lot of that short interest is concentrated in single stocks and macro ETF products like [\\$IWM](#).

Chart: Goldman Sachs



9:52 AM · May 14, 2025 · 13.6K Views



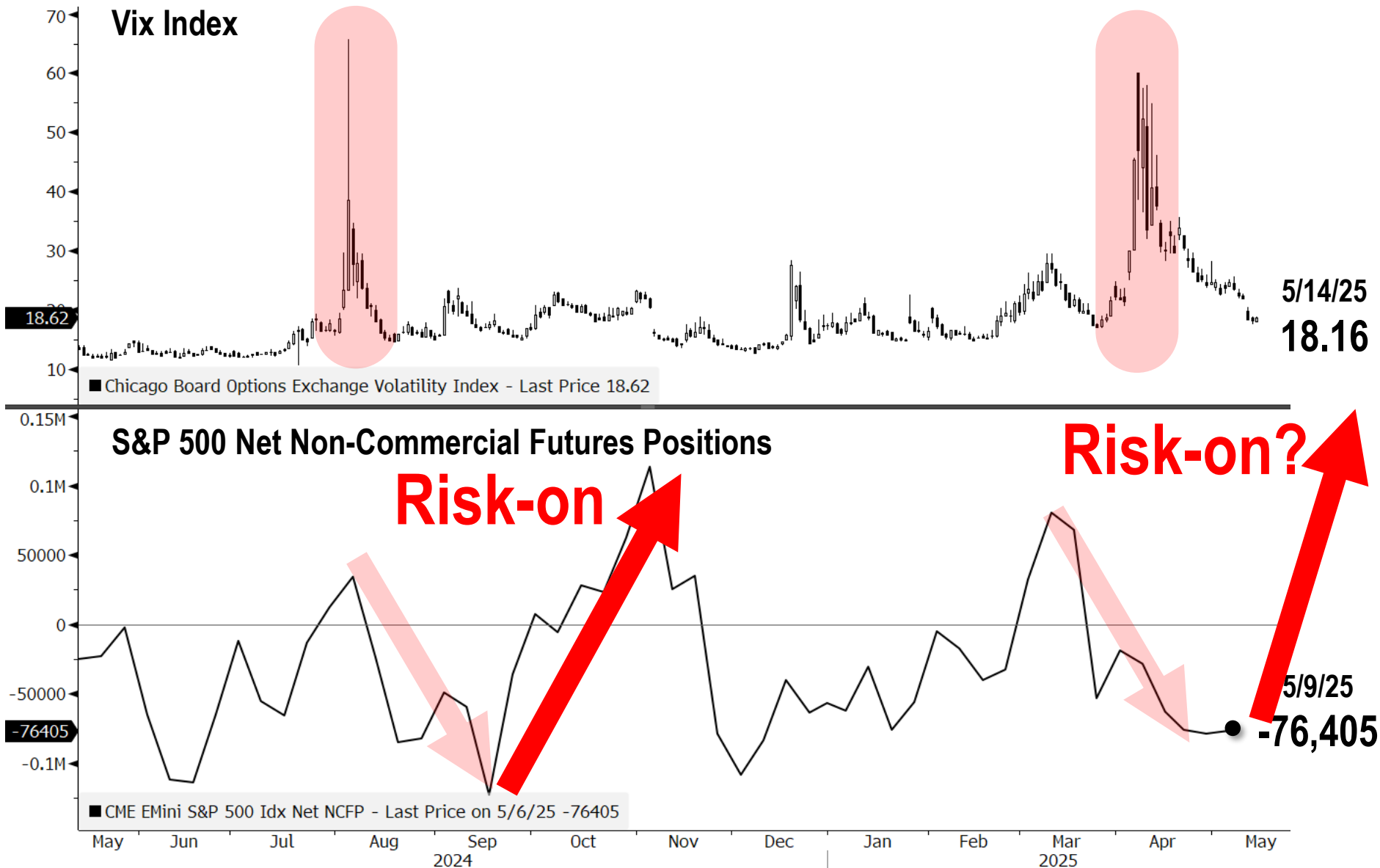
**OFF-SIDES: 5 reasons investors are off-sides**

- **Recession coming = sell USA equities**
- **Supply chain hit = short US cyclicals & small-caps**
- **VIX surge = institutions forced to de-risk**
- **End of “US exceptionalism” = sell USA, buy Europe**
- **Retail “bought the dip” = hedge funds short retail**



Vix Index Vs. S&P 500 Net Non-Commercial Future Positioning

Past Year



VIX Index (Chicago Board Options Exchange Volatility Index) spx noncom net long Daily 14MAY2024-15MAY2025

Copyright© 2025 Bloomberg Finance L.P.

14-May-2025 21:52:04

Source: Fundstrat, Bloomberg



**Buy stocks when
 $VIX > 50$**

**Bottom confirmed
 $VIX < 30$**

**OFF-SIDES: 5 reasons investors are off-sides**



























- **Recession coming = sell USA equities**
- **Supply chain hit = short US cyclicals & small-caps**
- **VIX surge = institutions forced to de-risk**
- **End of “US exceptionalism” = sell USA, buy Europe**
- **Retail “bought the dip” = hedge funds short retail**





























25 largest stocks in world

Only 4 are non-USA

Overview Performance Valuation Divi

Symbol 100			Coun
	MSFT	Microsoft Corporation ^D	
	NVDA	NVIDIA Corporation ^D	
	AAPL	Apple Inc. ^D	
	AMZN	Amazon.com, Inc. ^D	
	GOOG	Alphabet Inc. ^D	
	META	Meta Platforms, Inc. ^D	
	2222	SAUDI ARABIAN OIL CO. ^D	
	TSLA	Tesla, Inc. ^D	
	AVGO	Broadcom Inc. ^D	
	BRK.A	Berkshire Hathaway Inc. ^D	
	2330	TAIWAN SEMICONDUCTOR M... ^D	
	WMT	Walmart Inc. ^D	
	JPM	JP Morgan Chase & Co. ^D	

Symbol 100			Coun
	V	Visa Inc. ^D	
	LLY	Eli Lilly and Company ^D	
	700	TENCENT HOLDINGS LIMITED ^D	
	MA	Mastercard Incorporated ^D	
	NFLX	Netflix, Inc. ^D	
	XOM	Exxon Mobil Corporation ^D	
	ORCL	Oracle Corporation ^D	
	COST	Costco Wholesale Corporati... ^D	
	HD	Home Depot, Inc. (The) ^D	
	PG	Procter & Gamble Company... ^D	
	JNJ	Johnson & Johnson ^D	
	SAP	SAP SE O.N. ^D	
	BAC	Bank of America Corporation ^D	



OFF-SIDES: 5 reasons investors are off-sides

- **Recession coming = sell USA equities**
- **Supply chain hit = short US cyclicals & small-caps**
- **VIX surge = institutions forced to de-risk**
- **End of “US exceptionalism” = sell USA, buy Europe**
- **Retail “bought the dip” = hedge funds short retail**



Morningstar Investor

Stay informed during market volatility with personalized portfolio notifications from Morningstar Investor.

Start Free Trial →

Home > News > MarketWatch > Individual investors net bought a record \$4.7 billion worth of stocks on Thursday as...

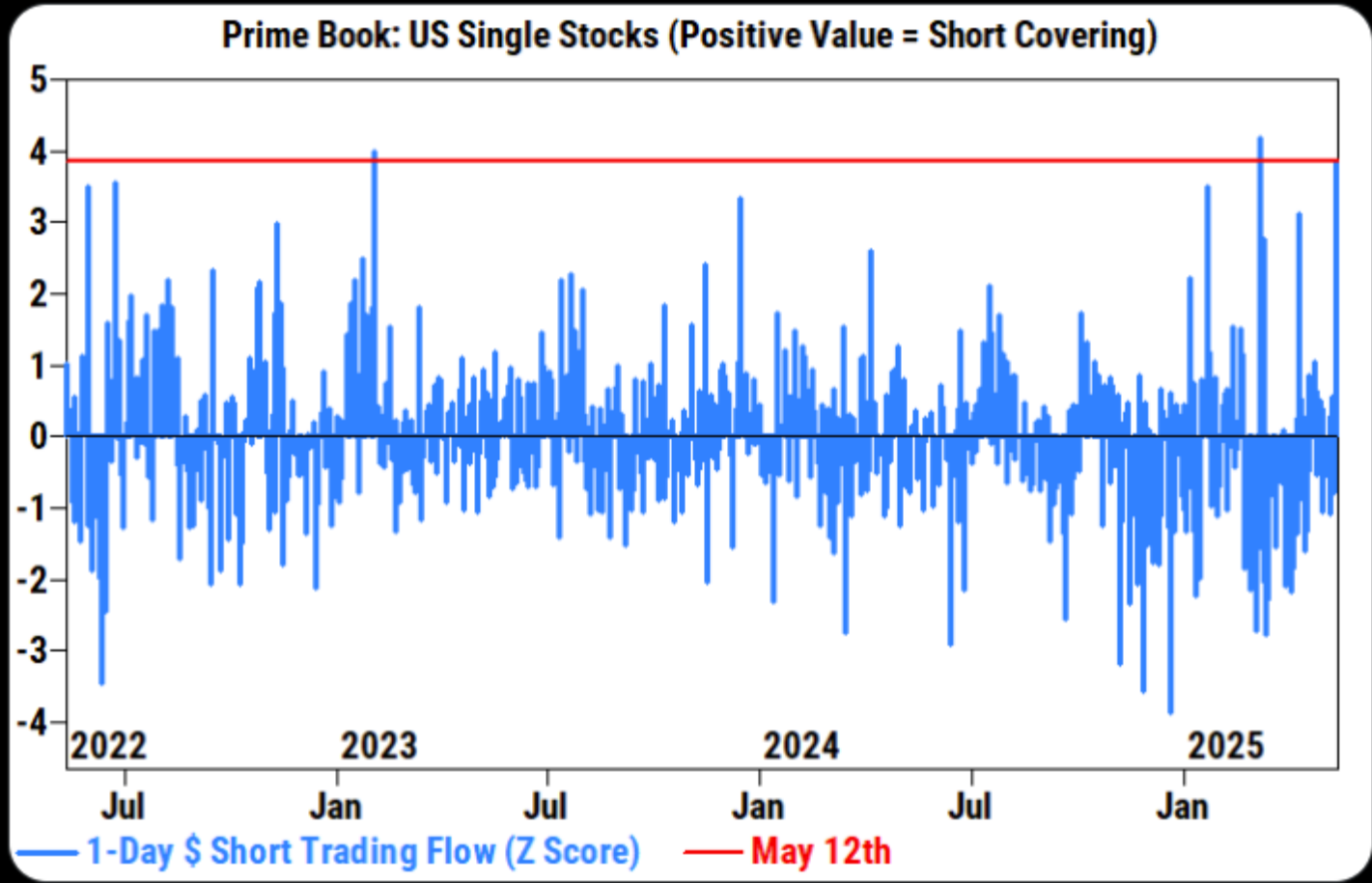
Individual investors net bought a record \$4.7 billion worth of stocks on Thursday as new tariffs pummeled markets



Provided by Dow Jones • Apr 4, 2025 12:33pm




Hedge Funds going with the "Sell Low, Buy High" strategy as they cover their short positions at the 3rd fastest pace since 2022 🌟🌟 Rekt!!



3:15 PM · May 14, 2025 · **52.8K** Views

 37

 133

 519

 59





LOOK AT 2026: Stocks in better shape today vs Feb 2025

- **Visibility on tariff = risks far lower**
- **2026 incrementally better visibility:**
 - Tax cuts/ - De-regulation
 - More Fed cuts in 2026
 - US cos see upside in “free-er trade”
- **Companies “battle tested”:**
 - COVID (2020)
 - Bull-whip supply chain shock (2021)
 - Inflation surge (2022)
 - Fastest rate hike in history (2022)
 - Tariff is latest gauntlet
- **Sentiment shockingly cautious = contrarian bullish**
 - Trump “put” alive and well = our staunch argument
- **P/E should be rising into year-end 2025**



TRUMP “put”: Stock-market focused White House



Source: Fundstrat



WHAT TO OWN: Stocks that benefit from a stronger 2026

- **Washed out stocks**
- **MAG7 & Bitcoin**
- **Small-caps**
- **Industrials**
- **Financials: Large-cap and regional banks**



**A “washed out” stocks so
oversold, that there is
nobody left to “sell it”**



22 Large-Cap Stocks that are recently hard hit

Per Fundstrat

- Current Market Cap >\$15 Billion
- Declined more than 30% before Feb 18th
- Didn't make new closing low between April 1st & April 8th
- Current price down more than 25% from 52W High

\$WBD

\$BF/B

\$UAL

\$NET

\$LULU

\$STZ

\$LDOS

\$SMCI

\$TSLA

\$RKT

\$TEAM

\$EIX

\$DKNG

\$COIN

\$HUBS

\$VST

\$DG

\$HOOD

\$MSTR

\$DLTR

\$HUM

\$CRM

Source: Fundstrat, Bloomberg

5/16/2025

For Exclusive Use of FS Insight Members Only



27 SMID Stocks that are recently hard hit

Per Fundstrat

- Current Market Cap <\$15 Billion
- Declined more than 30% before Feb 18th
- Didn't make new closing low between April 1st & April 8th
- Current price down more than 25% from 52W High
- Short interest Day to Cover Ratio >2

\$DJT

\$NCLH

\$INSP

\$DT

\$ROKU

\$WBA

\$PRGO

\$ESTC

\$AS

\$CELH

\$CNXC

\$PCOR

\$LCID

\$SOFI

\$DAY

\$LITE

\$RIVN

\$MKTX

\$LUV

\$ALAB

\$LKQ

\$COLB

\$LYFT

\$AES

\$CROX

\$GRAL

\$CFLT

Source: Fundstrat, Bloomberg

5/16/2025

For Exclusive Use of FS Insight Members Only



Fundstrat Granny Shots US Large Cap ETF

GRNY

Portfolio Managers

Thomas J. Lee, CFA

tom.lee@fundstratcapital.com

Ken Xuan, CFA, FRM



6-month birthday



PR Newswire®

News

Products

Contact

News in Focus

Business & Money

Science & Tech

Lifestyle & Health

Policy & Public Interest

People & Culture

Tom Lee's Fundstrat Granny Shots ETF (GRNY) Surpasses \$1 Billion in AUM Six Months After Launch



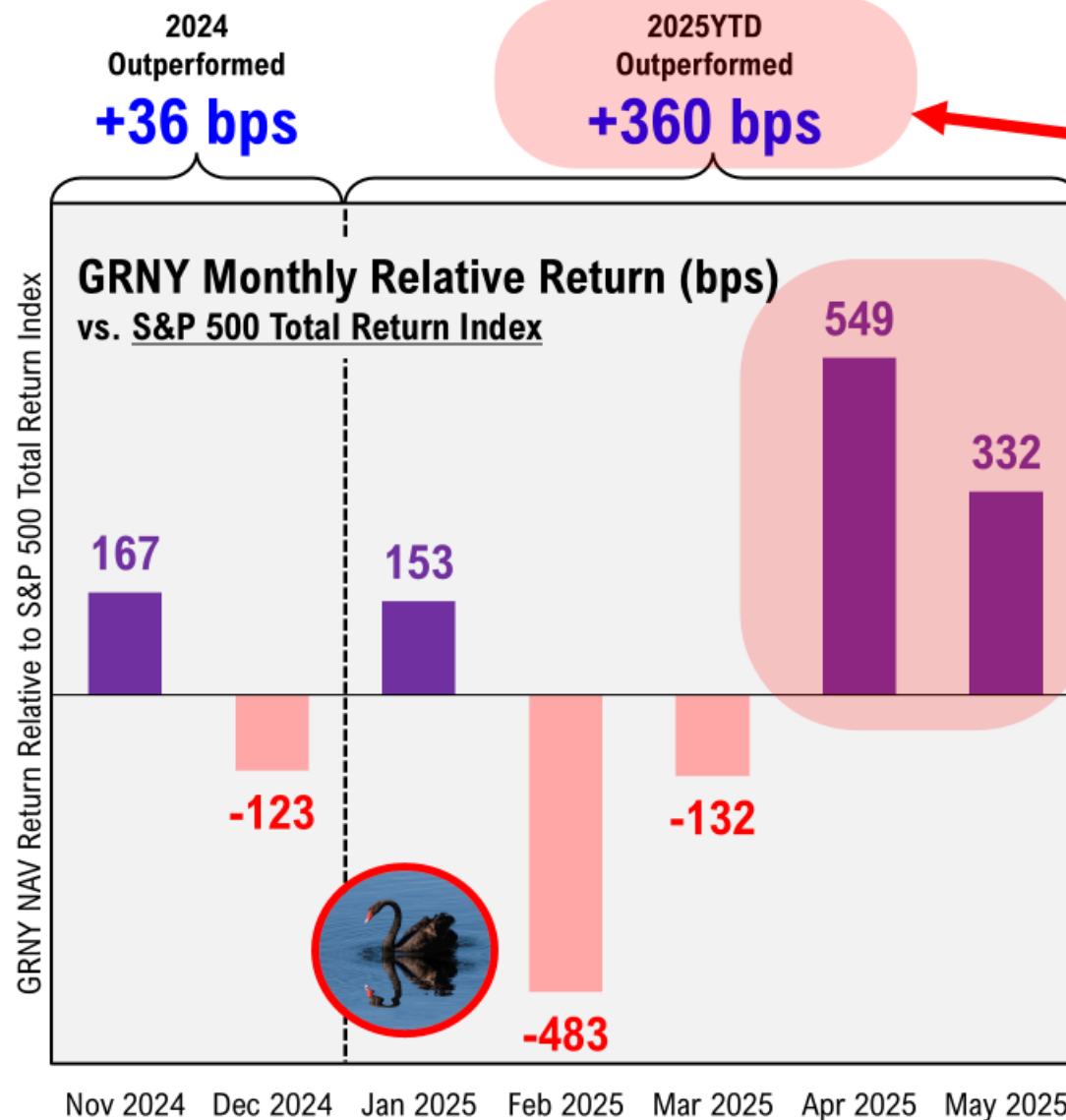
6-month birthday



GRNY Monthly Relative Performance

Ticker: **GRNY**

Relative to S&P 500. Source: Fundstrat Capital, Bloomberg. Data as of 5/15/2025.



YTD vs S&P 500:
+360bp

“BASIS POINT (BP)” MEANS ONE ONE-HUNDREDTH (1/100TH) OF ONE PERCENTAGE POINT. THE PERFORMANCE DATA QUOTED REPRESENTS PAST PERFORMANCE AND IS NO GUARANTEE OF FUTURE RESULTS. INVESTMENT RETURN AND PRINCIPAL VALUE OF AN INVESTMENT WILL FLUCTUATE SO THAT AN INVESTOR’S SHARES, WHEN REDEEMED, MAY BE WORTH MORE OR LESS THAN THEIR ORIGINAL COST. CURRENT PERFORMANCE MAY BE LOWER OR HIGHER THAN THE PERFORMANCE DATA QUOTED. FOR THE MOST RECENT MONTH-END PERFORMANCE, PLEASE CALL (212) 293-7132





GRNY – Why Granny Shots?

The term "granny shot" refers to an unconventional basketball free throw style. For the Fund, it represents Fundstrat Capital's unique research process.

Shaquille:
(career success)

52%



Rick Barry:
(career success)

90%



Source: NBA, Not a prediction of investment outcomes, but a description of a process



Longer-Term Themes



Millennials Strategy

Generations have personalities shaped by various cultural and technological forces. For most of the past decade, discussions about millennials (96 million, peak size) have focused on their youth and teenage tendencies. Meanwhile, their economic impact on the U.S. and global economy has been accelerating. The GRNY ETF seeks to identify those stocks best positioned to benefit from the spending power and influence of this cohort.



Global Labor Suppliers and the Rise of AI Automation

Automation brings cost savings and greater efficiency, while AI mitigates labor shortages and helps identify those companies whose business models are best poised to benefit from the labor-supply dynamics, as well as those firms offering the most accessible, comprehensive, and resilient enterprise AI solutions.



Energy/Cyber Security

Given the less-than-clear status of the environment, the incidence of climate-change-caused adverse-weather events and their impact on the power grid, stress on the electrical grid from data-center demand, and geopolitical tensions that endanger energy security, we monitor companies well positioned to perform in this uncertain environment.



Easing Financial Conditions

As macroeconomic conditions improve, certain industries and companies are in a position to benefit. We analyze their prospects and include them in our portfolio accordingly.



Shorter-Term Themes

Style Tilt

Style tilts, sometimes referred to as portfolio tilts, represent a portfolio's exposure to various factors that may allow investors to achieve a higher expected return. Historically, various factors have engendered cyclicalities across market and economic regimes. For example, a shift in interest-rate expectations may cause one factor to outperform another. The GRNY ETF attempts to capture these regime shifts over time by adjusting the style tilt quarterly. The Fundstrat team utilizes a proprietary mix of style factors including both cyclicalities and quality factors. For a given style tilt, the underlying stock selection utilizes the Granny Quantitative Model.

Seasonality

Historically, certain industry groups or stocks may exhibit recurring patterns of performance during specific periods. By reviewing various arrays of returns over long time periods, the GRNY ETF seeks to determine which industries may exhibit superior relative performance over the ensuing 6-month period. The GRNY ETF evaluates its seasonal exposure to industry groups quarterly via the use of proprietary models that analyze historical win ratios. For the industry groups identified, the underlying stock selection utilizes the Granny Quantitative Model.

PMI Recovery

The PMI is a monthly economic indicator based on survey responses by private-sector companies in the manufacturing and services sectors. The index typically includes factors such as new orders, production, employment, supplier deliveries, and inventories. The PMI is measured on a scale of 0-100, where a reading above 50 indicates expected expansion. Fundstrat Capital sees a relationship between yield-curve dynamics and PMI that imply that the latter has bottomed out, and seeks to gain exposure to companies benefitting from the forecasted recovery.



GRNY – Holdings by Theme

Shorter-Term Themes (6 - 12 Months)



35
Stocks in
Theme

24
Stocks in
Theme

29
Stocks in
Theme

Longer-Term Themes (3 - 5 Years)



48
Stocks in
Theme

37
Stocks in
Theme

36
Stocks in
Theme

40
Stocks in
Theme

5 Themes

GOOGL



META



3 Themes

AAPL



CAT



GRMN



NVDA



PLTR



17
Stocks in GRNY

12
Stocks in GRNY

ORCL



PANW



PGR



PWR



PYPL



QCOM



SPGI



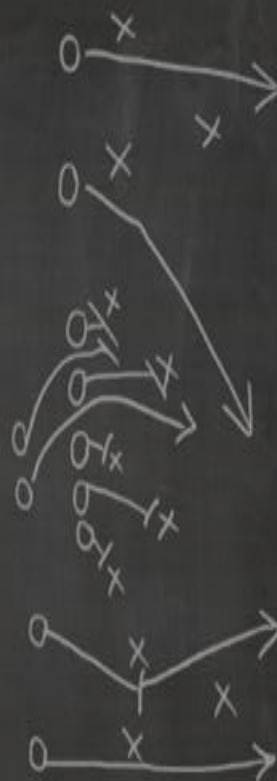
TSLA



Source: Fundstrat

RULE 10 BEST DAYS: Impact of not owning the “10 best days”

**Rule of:
10
best
days**



Since 1928:

S&P 500 return: +8%

ex-10 best days: -13%

2,100bp

Since 2015:

S&P 500 return: +12%

ex-10 best days: -10%

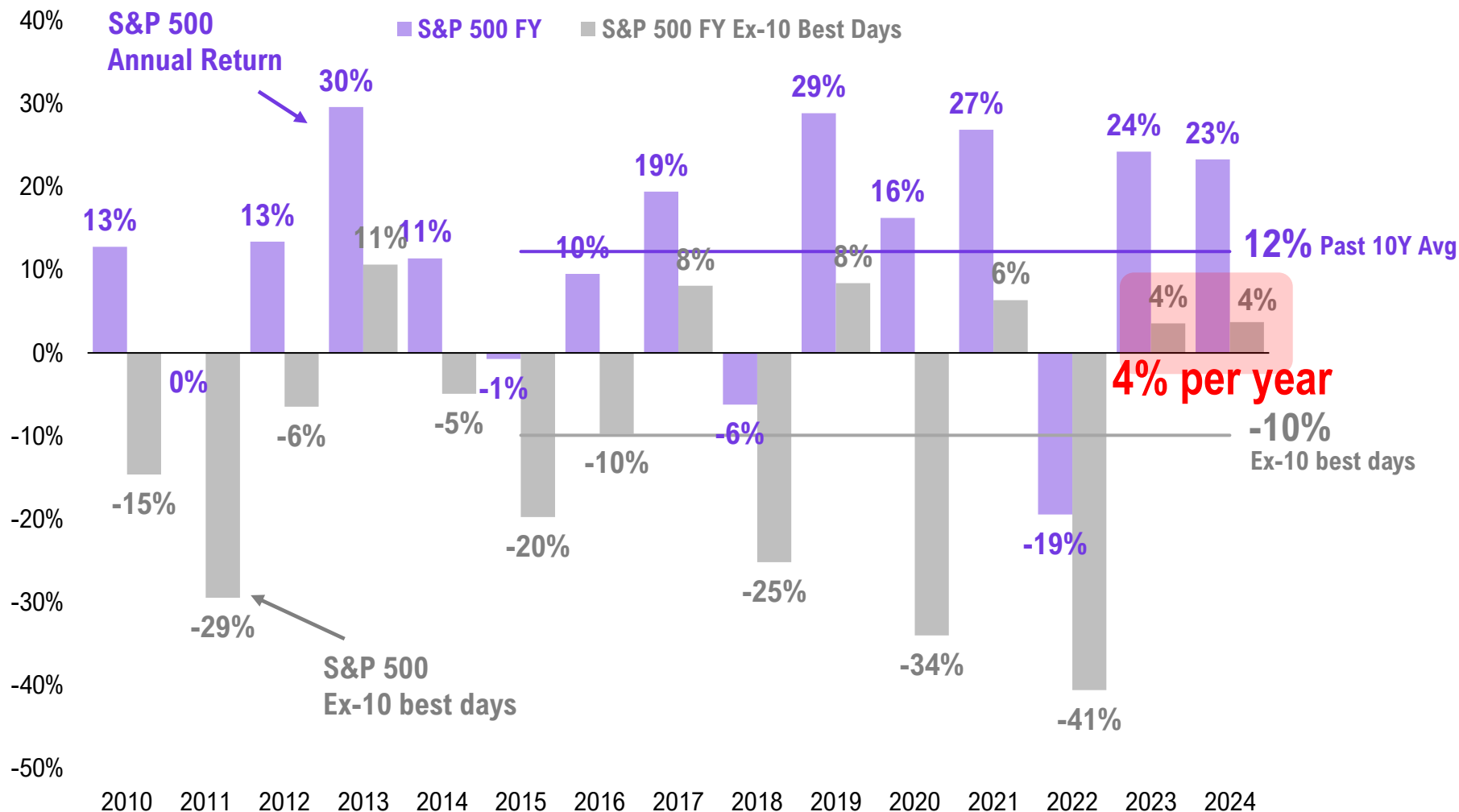
2,200bp

Source: Fundstrat



S&P 500 Annual Return vs. Annual Return Ex-10 Best Days

Past 15 Years



Source: Fundstrat, Bloomberg



**Don't time
the market**



Disclosures

This research is for the clients of FS Insight only. For important disclosures and rating histories regarding sectors or companies that are the subject of this report, please contact your sales representative or FS Insight at 150 East 52nd Street, New York, NY, 10022 USA.

Analyst Certification (Reg AC)

Thomas J. Lee, the research analyst denoted by an “AC” on the cover of this report, hereby certifies that all of the views expressed in this report accurately reflect his personal views, which have not been influenced by considerations of the firm’s business or client relationships.

Neither I, nor a member of my household is an officer, director, or advisory board member of the issuer(s) or has another significant affiliation with the issuer(s) that is/are the subject of this research report. There is a possibility that we will from time to time have long or short positions in, and buy or sell, the securities or derivatives, if any, referred to in this research

Conflicts of Interest

This research contains the views, opinions and recommendations of FS Insight. As of the time of writing and publication of this presentation, FS Insight does not know of, or have reason to know of any material conflicts of interest at the time of the publication of this presentation. The Company has no contractual relationship, nor have we received any compensation from any of the companies listed in this research report.

Analyst Industry/Sector Views

Positive (+): The analyst expects the performance of his industry/sector coverage universe over the next 6-18 months to be attractive vs. the relevant broad market benchmark, being the S&P 500 for North America.

Neutral (N): The analyst expects the performance of his or her industry/sector coverage universe over the next 6-18 months to be in line with the relevant broad market benchmark, being the S&P 500 for North America.

Negative (-): The analyst expects his or her industry coverage universe over the next 6-18 months to underperform vs. the relevant broad market benchmark, being the S&P 500 for North America.

General Disclosures

FS Insight is an independent research company and is not a registered investment advisor and is not acting as a broker dealer under any federal or state securities laws. FS Insight is a member of IRC Securities’ Research Prime Services Platform. IRC Securities is a FINRA registered broker-dealer that is focused on supporting the independent research industry. Certain personnel of FS Insight (i.e. Research Analysts) are registered representatives of IRC Securities, a FINRA member firm registered as a broker-dealer with the Securities and Exchange Commission and certain state securities regulators. As registered representatives and independent contractors of IRC Securities, such personnel may receive commissions paid to or shared with IRC Securities for transactions placed by FS Insight clients directly with IRC Securities or with securities firms that may share commissions with IRC Securities in accordance with applicable SEC and FINRA requirements. IRC Securities does not distribute the research of FS Insight, which is available to select institutional clients that have engaged FS Insight.

As registered representatives of IRC Securities our analysts must follow IRC Securities’ Written Supervisory Procedures. Notable compliance policies include (1) prohibition of insider trading or the facilitation thereof, (2) maintaining client confidentiality, (3) archival of electronic communications, and (4) appropriate use of electronic communications, amongst other compliance related policies.

This research is for the clients of FS Insight only. Additional information is available upon request. Information has been obtained from sources believed to be reliable but FS Insight does not warrant its completeness or accuracy except with respect to any disclosures relative to FS Insight and the analyst’s involvement (if any) with any of the subject companies of the research. All pricing is as of the market close for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, risk tolerance, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies. The recipient of this report must make its own independent decision regarding any securities or financial instruments mentioned herein. Except in circumstances where FS Insight expressly agrees otherwise in writing, FS Insight is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice, including within the meaning of Section 15B of the Securities Exchange Act of 1934. All research reports are disseminated and available to all clients simultaneously through electronic publication to our internal client website, FS Insight.com. Not all research content is redistributed to our clients or made available to third-party aggregators or the media. Please contact your sales representative if you would like to receive any of our research publications.

Copyright 2025 FS Insight LLC. All rights reserved. No part of this material may be reprinted, sold or redistributed without the prior written consent of FS Insight LLC.