Actionable Ideas for the Active Investor

ALPHA INSIGHTS

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Executive Summary

- The S&P 500 posted a total return of -4.0% during the month of April. The Utilities sector (+1.7%) was the best performer for the month; the Real Estate sector (-8.5%) was the worst performer. The Nasdaq 100 ended the month down -4.4%, while the Russell 2000 lost -6.9%. The 10-year Treasury yield jumped 48 bps in April to close the month at 4.68%.

- Market participation turned down during the month, with just 48% of all US stocks now trading above their 200-DMA. New lows outnumbered new highs slightly by 1.3-to-1 during the period. While our structural momentum study remains positive, 37% of all S&P 500 index constituents are in negative territory YTD. Valuation metrics remain historically extreme for the S&P 500 with Market Cap-to-GDP at 178.8%, the Shiller CAPE ratio at 33.4x, the Price-to-Sales ratio at 2.7x, the dividend yield at 1.4%, and Price-to-BV at 4.7x. Even using the very optimistic consensus S&P op-EPS estimate of $240 for 2024, the benchmark index is still trading at a lofty FTM P/E multiple of 21.0x, and a FTM earnings yield 4.76% -- well-below the 1-year T-Bill yield of 5.23%.

- Our monthly analysis of the eleven S&P 500 sectors ranks Communications, Technology, and Financials as core leadership. Industrials, Energy, Discretionary, Materials, and Health Care are now neutral, while REITs, Staples, and Utilities remain laggards on the relative strength spectrum. We upgraded the Utilities sector to Neutral from Bearish. Value outperformed Growth across the board in April, while Large-Caps bested Smid-Cap issues. From a factor perspective, high dividend Yield led, while small market cap size was the biggest laggard for the period. We detail or top actionable new money long ideas: SMTC, GM, DAL, GOOG, KWEB; and top actionable short/source of funds ideas: CZR, FIVE, WERN, AAPL, EIDO.

- On the macro front, overseas markets outperformed U.S. markets by another +190 bps in April. Commodities were strong, led by strong rallies in copper (+13.9%), silver (+7.0%), and gold (+2.9%) during the month. The currency markets were led lower by a -3.5% decline in the JPY, while the USD index ended the month up +1.5%. Bitcoin reversed its March gains, declining -15% during the period. Meanwhile, the 10-year U.S. Treasury Note fell -3.2% in April. We initiated coverage of Silver with a Bullish rating.

- The rally off the October 27th low may have reached its conclusion on March 28th. The monthly close below the 50-DMA is the first such occurrence in five months for the S&P 500. While the bulls may regain the upper hand, as long as price holds below that level, we must assume the worst. The weakness in stock prices has caused bullish sentiment among investors to subside, but it is far from pessimistic at this point. A Dow Theory non-confirmation persists as negative momentum divergences proliferate at daily, weekly and monthly timescales across most key market indexes. These technical warning signals, combined with excessive market valuations, and weak readings from our five core economic models, leave us with serious doubts about the potential for equity markets to produce even average returns over the next 10 years. As such, we continue to recommend that investors remain patient, minimize net equity exposure, and maximize cash reserves. In our view, the 3-month U.S. Treasury Bill with a current yield of 5.38%, appears to offer investors the best combination of value, safety, liquidity, and cashflow.

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Source: *Hedgeye.com*

PORTFOLIO POSITIONING

- ❑ Summary of Macro Tilts
- ❑ Strategic Risk Allocation Model
- ❑ Performance Monitor: Asset Class, Factor, Style Box, Sector, and Country
- ❑ Rotation Models: Asset Class, Factor, Style Box, Sector, and Country

Summary of Our Macro Tilts

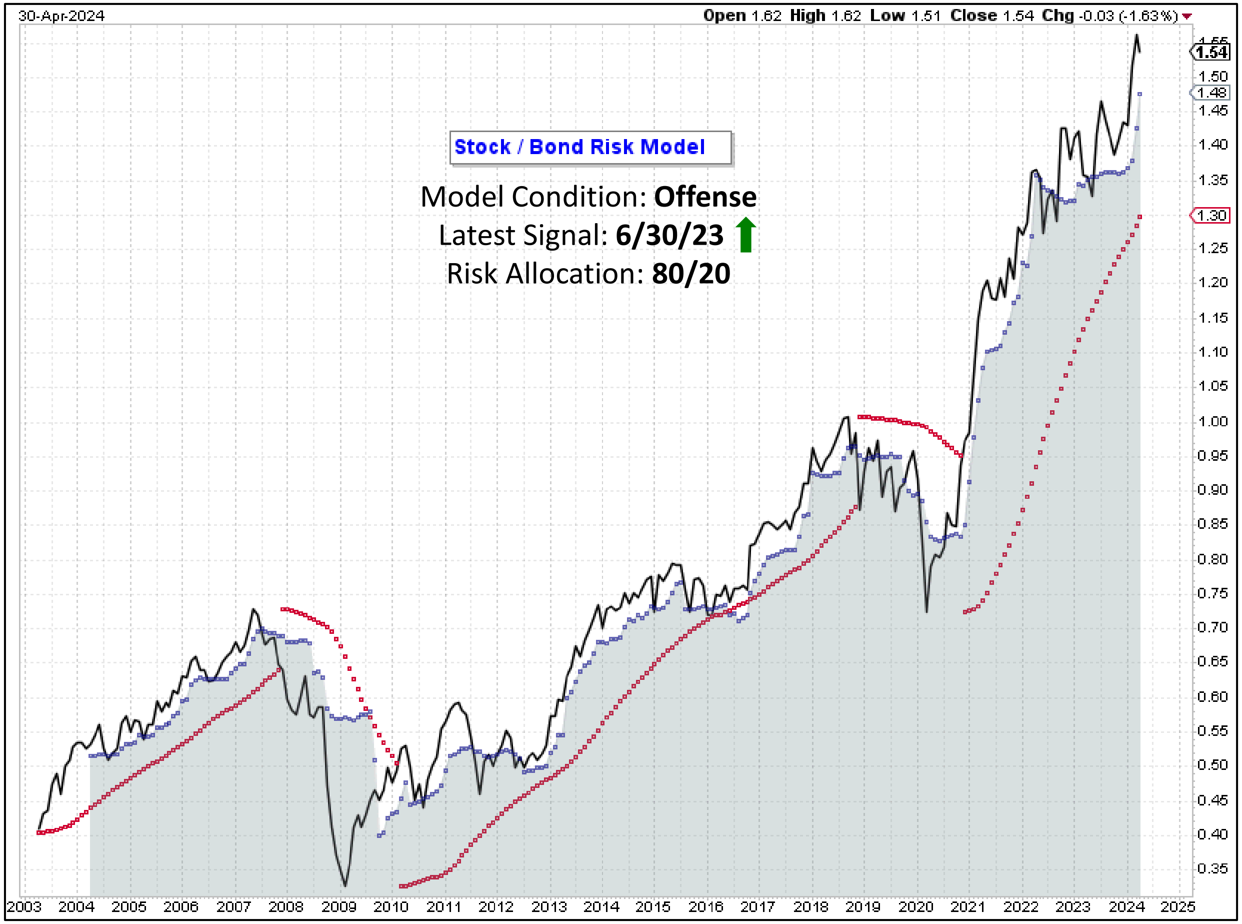
Changes are highlighted in ***bold italics***.

- Overweight Equities vs Fixed-Income
- Overweight SMID-Cap vs Large-Cap
- Overweight Value vs Growth
- Neutral High Beta vs Low Volatility
- Overweight Domestic vs Foreign
- Overweight Developed vs Emerging
- Overweight: Financials, Industrials, & Energy
- Underweight: REITs, ***Health Care, & Discret***

- Overweight Short vs Long Duration
- Overweight Inflation Protected vs Fixed-Rate
- Overweight Government vs Corporate
- Overweight Low Quality vs High Quality
- Overweight U.S. Dollar vs Non-Dollar
- Overweight Crypto vs Foreign Exchange
- Overweight Cash vs Commodities
- Overweight Precious vs Industrial Metals

Strategic Risk Allocation: 80/20

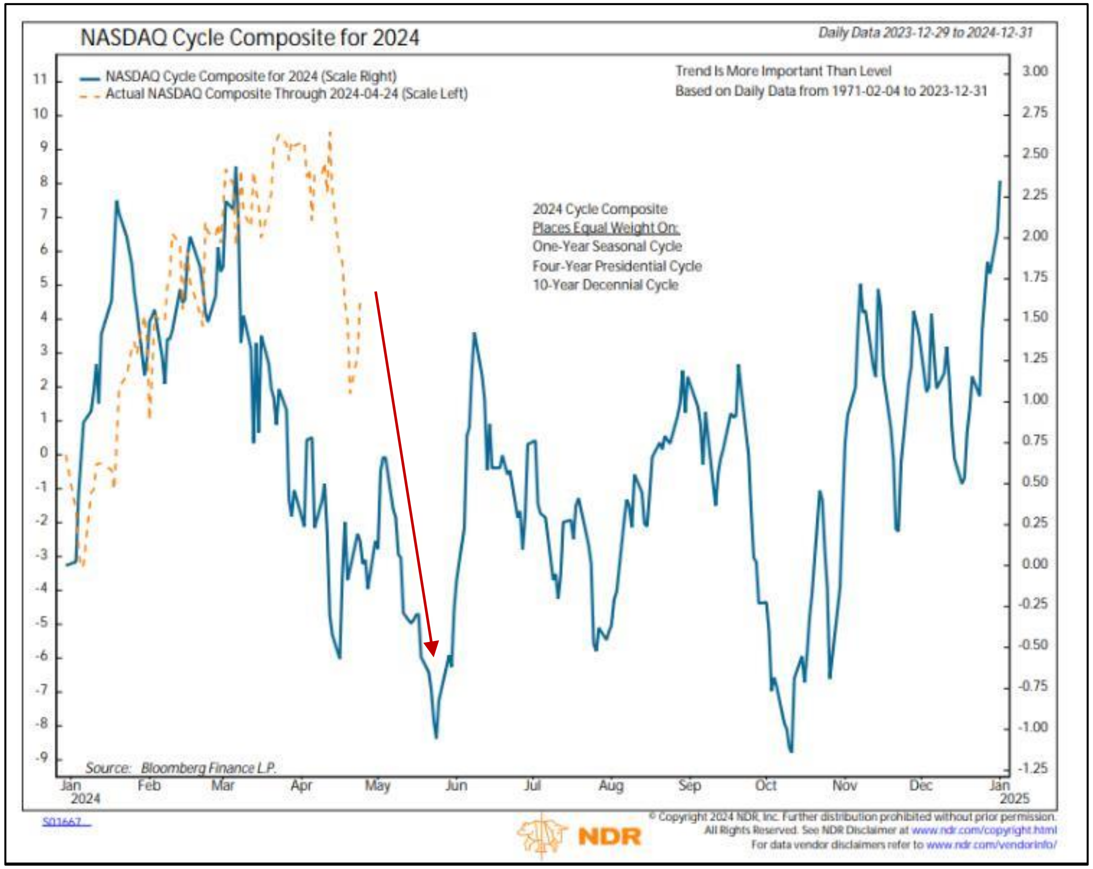
The model seeks to optimize portfolio exposure to broad equity assets relative to fixed-income assets across three potential strategic Stock/Bond allocation preferences: Offense = 80/20; Neutral = 50/50; and Defense = 20/80. Equity market strength relative to corporate bonds confirmed a positive signal in our model on 6/30/23. **The model still favors overweighting stocks relative to bonds.** Empirical evidence confirms that economic systems adjust to changes in fundamentals gradually and over long periods of time. During inflationary and deflationary regimes, both stocks and bonds can decline in unison. Under such conditions, cash is the only natural volatility hedge.



Source: *StockCharts.com*

2024 Nasdaq 100 Cycle Composite

For the last few weeks we've been showing how the Cycle Composites for both Nasdaq 100 and the S&P 500 were moving into synchronicity. With both are now pointed hard down into late-May, coupled with a *minor* Montgomery Cycle turn-window that began on April 23rd and runs through May 7th (+/- one trading day on either side), we must be cognizant of the cyclical risks that the major averages face over the next month. NDR Research states in the chart below that the Cycle Composite illustrates the aggregation of three key time cycles: the one-year Seasonal cycle; the four-year Presidential cycle; and the 10-year Decennial cycle. The cycle composite line equally weights each cycle based upon historical Nasdaq market data since 1971. While time cycles are never perfect, they do tend to provide a rough historical indication of how these key indexes have traded under similar past cyclical influences.



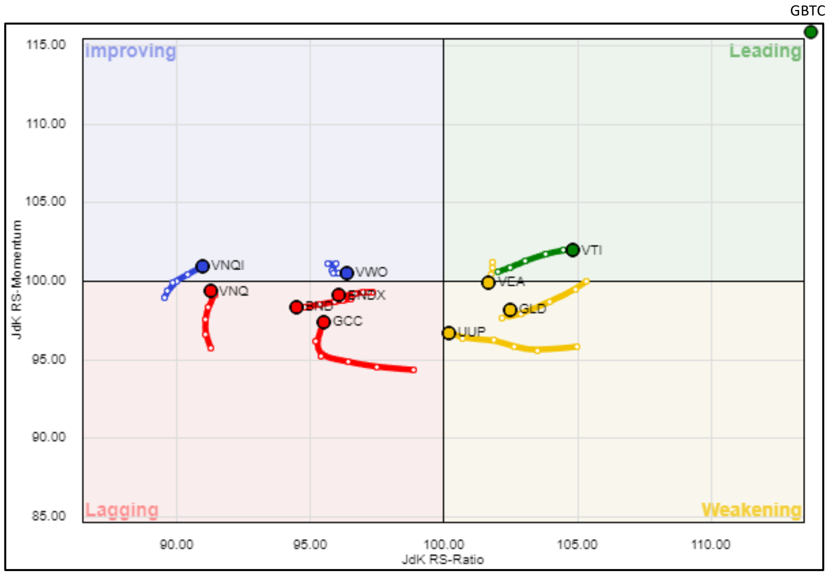
Source: *StockCharts.com*

Global Asset Class Leadership

Monthly

Global Asset Class Rank	APR Return	TTM Return
1. Bitcoin (GBTC)	-16.9%	+ 219.8%
2. U.S. Equities (VTI)	- 4.3%	+ 22.4%
3. Gold Bullion (GLD)	+ 3.0%	+ 14.7%
4. Commodities (GCC)	+ 3.3%	+ 11.6%
5. U.S. Dollar (UUP)	+ 2.1%	+ 11.1%
6. Emerging Markets (VWO)	+ 1.0%	+ 8.6%
7. Benchmark (AOR)	**- 3.0%**	**+ 9.5%**
8. Int'l-Dev Equities (VEA)	- 3.4%	+ 8.2%
9. Int'l Fixed-Inc (BNDX)	- 1.4%	+ 3.5%
10. Int'l Real Estate (VNQI)	- 3.6%	- 0.1%
11. U.S. Fixed-Inc (BND)	- 2.4%	- 1.4%
12. U.S. Real Estate (VNQ)	- 7.9%	- 0.4%

Global Asset Rotation Model



Source: *StockCharts.com*

Benchmark: *60% MSCI All-Country World Index / 40% Barclay's Global Aggregate Bond Index*

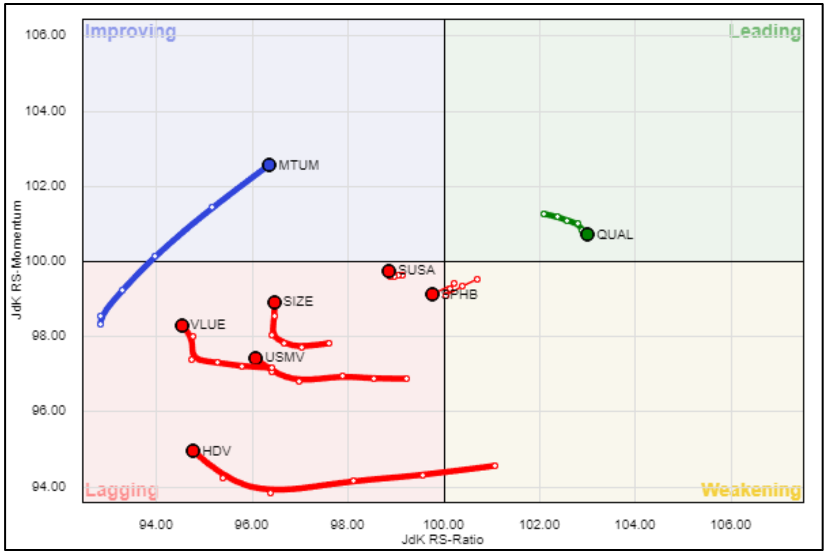
U.S. Factor Leadership

Monthly

U.S. Factor Rank	APR Return	TTM Return
1. High Quality (QUAL)	- 4.5%	+ 26.0%
2. Momentum (MTUM)	- 5.5%	+ 25.7%
3. Benchmark (VTI)	**- 4.3%**	**+ 22.4%**
4. High Beta (SPHB)	- 6.6%	+ 23.1%
5. Env/Soc/Gov (SUSA)	- 4.4%	+ 19.8%
6. Low Volatility (USMV)	- 3.7%	+ 11.1%
7. High Dividend (HDV)	- 2.1%	+ 8.8%
8. Small Market Cap (SIZE)	- 6.9%	+ 13.4%
9. Low Valuation (VLUE)	- 6.8%	+ 13.2%

***Benchmark:** CRSP U.S. Total Market Index*

U.S. Factor Rotation Model



***Source:** StockCharts.com*

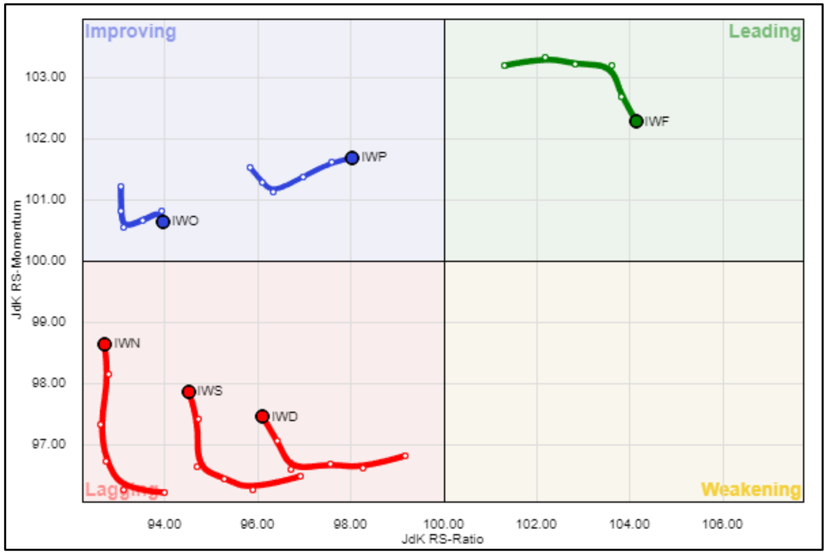
Russell Style Box Leadership

Monthly

Russell Style Box Rank	APR Return	TTM Return
1. Large-Cap Growth (IWF)	- 4.2%	+ 31.5%
2. Benchmark (IWV)	**- 4.4%**	**+ 22.2%**
3. Mid-Cap Growth (IWP)	- 5.9%	+ 20.4%
4. Large-Cap Value (IWD)	- 4.2%	+ 13.2%
5. Mid-Cap Value (IWS)	- 5.2%	+ 13.9%
6. Small-Cap Value (IWN)	- 6.2%	+ 13.9%
7. Small-Cap Growth (IWO)	- 7.6%	+ 12.5%

***Benchmark:** Russell 3000 Index*

Russell Style Box Rotation Model



***Source:** StockCharts.com*

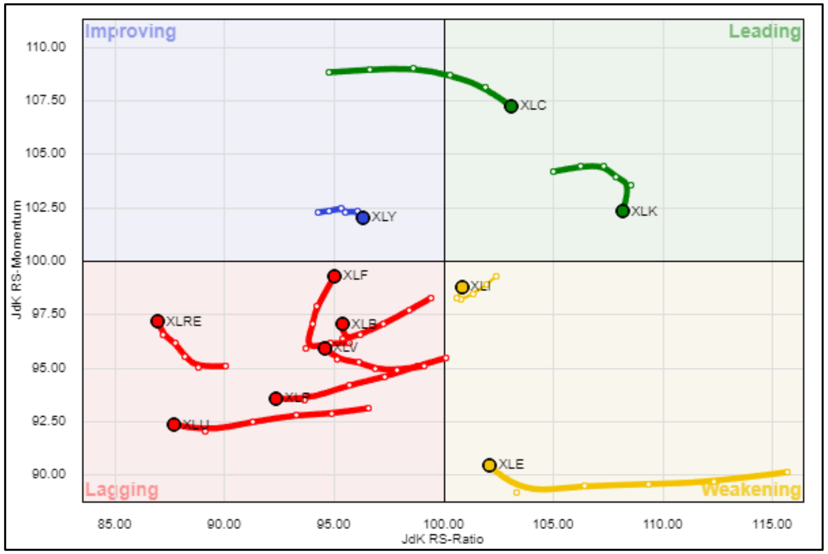
U.S. SECTOR LEADERSHIP

Monthly

U.S. Sector Rank	APR Return	TTM Return
1. Comm Svcs (XLC)	- 4.7%	+ 31.2%
2. Technology (XLK)	- 5.8%	+ 31.2%
3. Industrials (XLI)	- 3.5%	+ 23.6%
4. Financials (XLF)	- 4.2%	+ 23.8%
5. Benchmark (SPY)	**- 4.1%**	**+ 22.4%**
6. Discretionary (XLY)	- 4.5%	+ 19.7%
7. Energy (XLE)	- 0.9%	+ 13.6%
8. Materials (XLB)	- 4.6%	+ 12.3%
9. Healthcare (XLV)	- 5.0%	+ 6.8%
10. Utilities (XLU)	+ 1.7%	- 0.7%
11. Staples (XLP)	- 1.1%	+ 0.1%
12. Real Estate (XLRE)	- 8.5%	+ 0.3%

Benchmark: *S&P 500 Total Return Index*

U.S. Sector Rotation Model



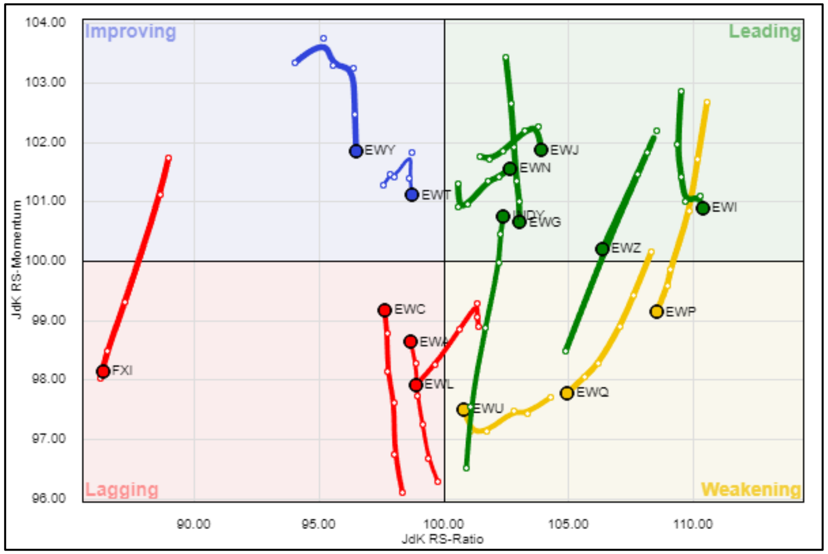
Source: *StockCharts.com*

Foreign Market Leadership

Monthly

MSCI Foreign Market Rank		APR Return	TTM Return
1.	India (INDY)	+ 0.3%	+ 18.9%
2.	Italy (EWI)	- 3.1%	+ 19.7%
3.	Taiwan (EWT)	- 3.1%	+ 16.1%
4.	Brazil (EWZ)	- 4.3%	+ 16.5%
5.	Netherlands (EWN)	- 3.5%	+ 15.0%
6.	Japan (EWJ)	- 5.7%	+ 16.7%
7.	Spain (EWP)	- 2.8%	+ 12.6%
8.	United Kingdom (EWU)	+ 1.4%	+ 6.6%
9.	**Benchmark (ACWX)**	**- 2.4%**	**+ 8.1%**
10.	Canada (EWC)	- 3.6%	+ 7.4%
11.	Germany (EWG)	- 4.1%	+ 6.4%
12.	France (EWQ)	- 3.3%	+ 4.1%
13.	South Korea (EWY)	- 6.1%	+ 6.6%
14.	Australia (EWA)	- 5.6%	+ 4.8%
15.	China (FXI)	+ 5.9%	- 7.2%
16.	Switzerland (EWL)	- 4.7%	- 3.6 %

MSCI Country Rotation Model



Source: *StockCharts.com*

Benchmark: *MSCI All-Country ex-US Index*

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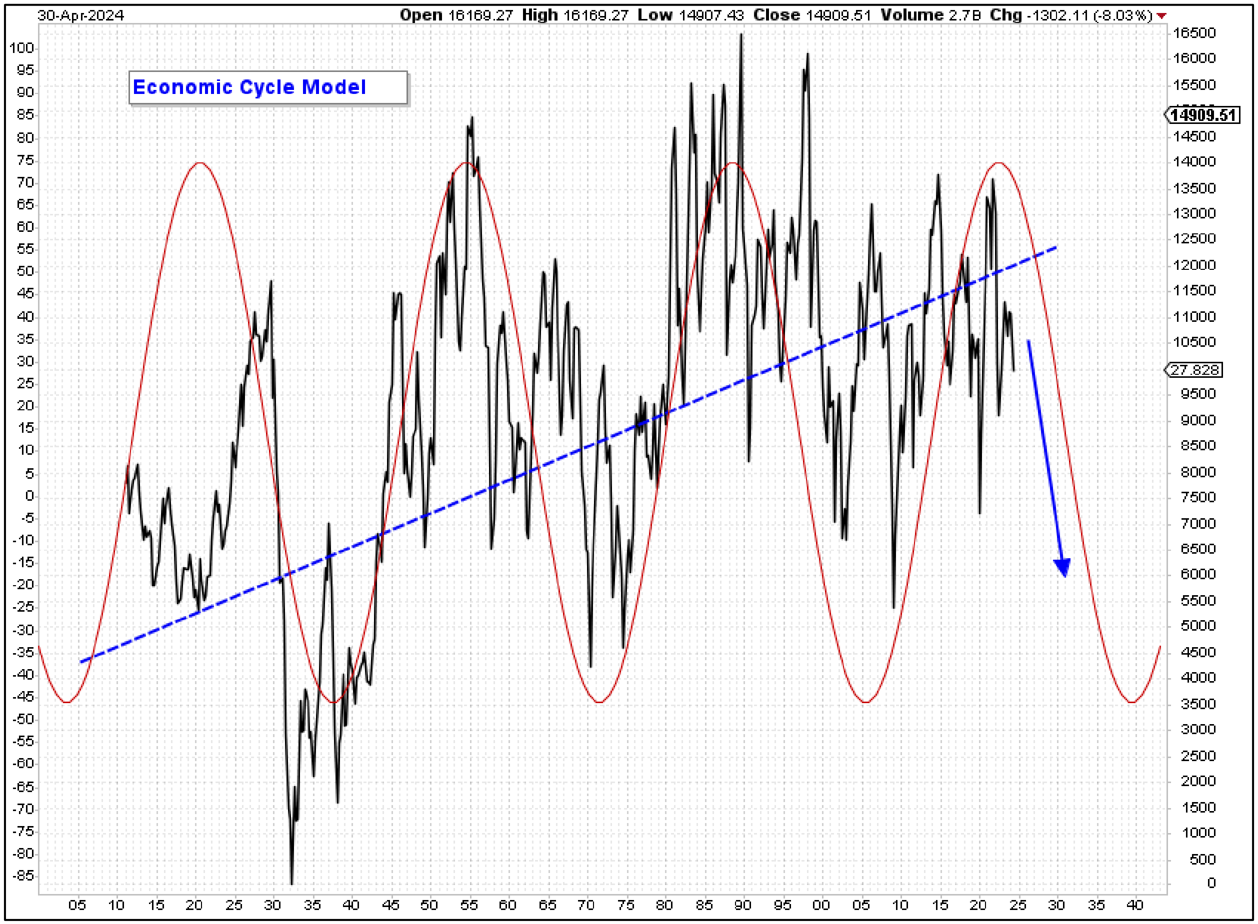
Source: *Hedgeye.com*

Economy, Policy, & Rates

- ❑ Economic Cycle Model
- ❑ Liquidity Dashboard
- ❑ Economic Conditions Dashboard
- ❑ Underlying Inflation Dashboard
- ❑ Monetary Policy Dashboard
- ❑ Yield Curve Watch
- ❑ Fixed-Income Market Dynamics

Economic Cycle Model

Based upon a Fibonacci 34-year low-to-low frequency, using 110 years of detrended quarterly price data taken from the Dow Jones Transportation Average, our Economic Cycle Model appears to have peaked on schedule this past year. If correct, with history as our guide, the cycle probably won't bottom next until around 2039. **The model plunged to 27.8 in April, from a prior reading of 41.0 in March.**



Source: *StockCharts.com*

Underlying Inflation Dashboard

Monetary policymakers have historically used or monitored various measures of underlying inflation to gain context about longer-term trends. The Atlanta Fed's Inflation Dashboard is a tool that provides a nice comparative analysis of the various measures. The Fed gets a broader characterization of retail price pressures from this dashboard than by monitoring movements in core PCE alone. While none of the nine measures is still printing above levels that prevailed a year ago, **the current message from the dashboard is that core inflation is still 173 bps above target (-17 bps vs. January).** As such, in our view, it is unlikely that the Fed will begin cutting rates in the first half of 2024 barring evidence of an impending recession.

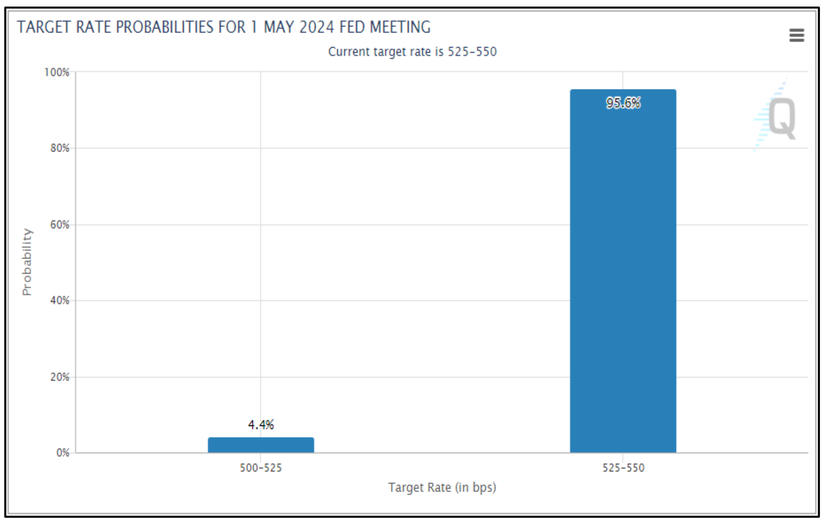
Measure of underlying inflation	12-month growth rate		Average difference Measure - Core PCE	Target based on 2% Core PCE	Stats for 1-mo growth rates (2009–2019)			
	Mar-23	Mar-24	2009–2019		Mean	Median	P25	P75
Core CPI	5.6	3.8	0.3	2.3	1.9	2.0	1.3	2.5
FRB Cleveland Median CPI	6.9	4.6	0.6	2.6	2.2	2.3	1.9	2.6
FRB Cleveland 16% Trimmed-Mean CPI	6.1	3.6	0.3	2.3	1.9	1.9	1.3	2.4
Atlanta Fed Sticky CPI	6.5	4.5	0.5	2.5	2.1	2.2	1.7	2.6
Core PCE	4.8	2.8	0.0	2.0	1.6	1.5	1.0	2.1
Market-Based Core PCE	4.7	2.6	-0.2	1.8	1.4	1.4	0.8	1.8
FRB Dallas Trimmed-Mean PCE	4.8	3.0	0.1	2.1	1.7	1.7	1.3	2.0
FRB San Francisco Cyclical Core PCE Inflation	8.1	4.9	0.7	2.7	2.2	2.4	2.0	2.8
Cyclically Sensitive Inflation (Stock and Watson (2019))	6.6	3.8	-0.1	1.9	1.5	1.5	0.9	2.1

Source: *atlantafed.org*

Monetary Policy Dashboard

At an April 16th forum in Washington, Federal Reserve Bank Chairman Jerome Powell had this to say about inflation, "The recent data have clearly not given us greater confidence in our inflation outlook, and instead indicate that it's likely to take longer than expected to achieve that confidence...Right now, given the strength of the labor market and progress on inflation so far, it's appropriate to allow restrictive policy further time to work and let the data and the evolving outlook guide us." According to CME Group's FedWatch Tool, there is now just a **95.6% probability that the Fed will continue to hold rates steady at the May 1st FOMC meeting.** But, following months of volatility around rate expectations, the latest consensus view implies that the Fed will now cut by no more than a quarter point in 2024, and probably not until the December 18th meeting, if at all. Any subsequent cuts are not expected to occur until the March 2025 FOMC meeting. We think that the Fed is dancing on a razor's edge. With Powell's legacy at stake, we doubt that the Fed is seriously considering a rate cut in the first half of the year. However, if the economy enters recession by 2Q24 – as we suspect it will, then we think that possibility could again emerge. Yet, with core inflation now running hotter than the Fed would like. **Our best guess continues to be that rates are likely to remain higher for longer than most market participants currently expect.**

May FOMC Meeting



Rate Cut Probabilities

CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES

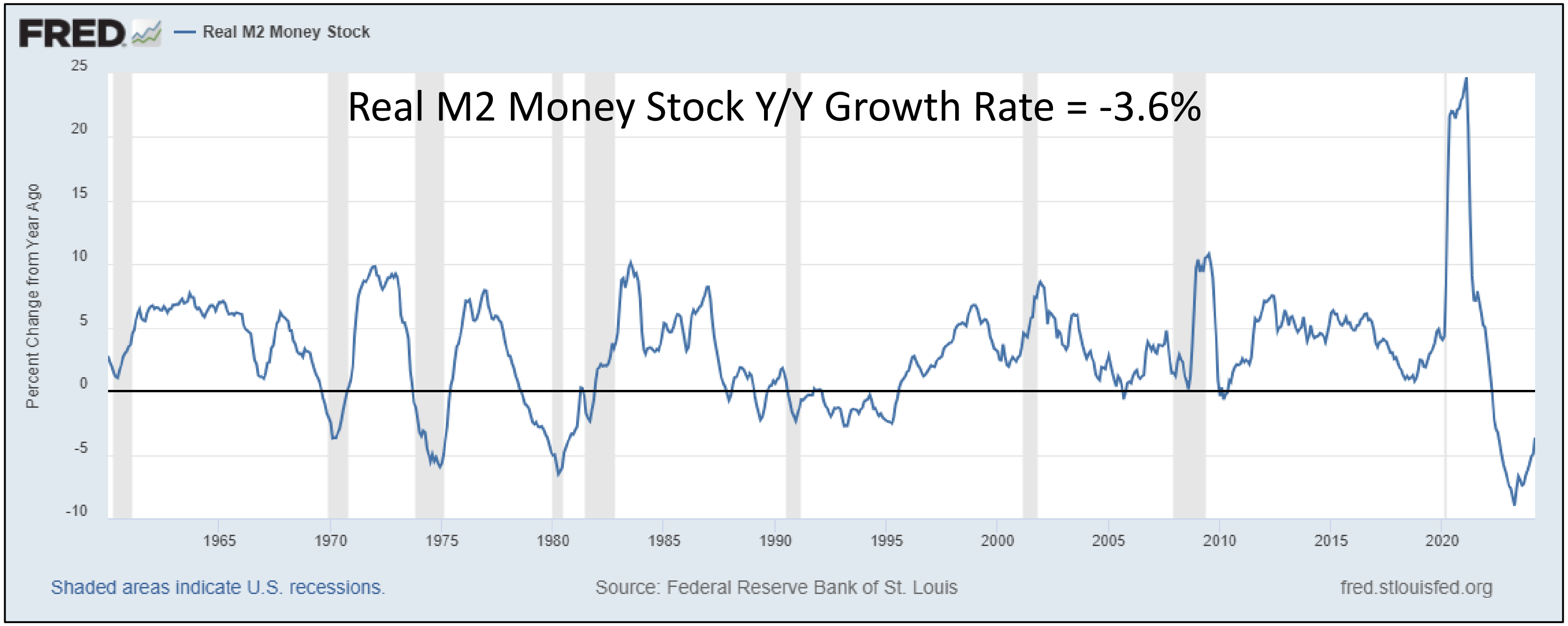
MEETING DATE	375-400	400-425	425-450	450-475	475-500	500-525	525-550
5/1/2024		0.0%	0.0%	0.0%	0.0%	4.4%	95.6%
6/12/2024	0.0%	0.0%	0.0%	0.0%	0.2%	8.2%	91.6%
7/31/2024	0.0%	0.0%	0.0%	0.0%	1.3%	20.2%	78.4%
9/18/2024	0.0%	0.0%	0.0%	0.4%	7.0%	37.7%	54.9%
11/7/2024	0.0%	0.0%	0.0%	0.8%	8.7%	38.6%	51.9%
12/18/2024	0.0%	0.0%	0.4%	4.9%	24.3%	45.5%	24.9%
1/29/2025	0.0%	0.1%	1.6%	9.8%	29.7%	40.3%	18.5%
3/19/2025	0.0%	0.7%	4.7%	17.4%	33.7%	32.0%	11.5%
4/30/2025	0.2%	1.7%	8.0%	21.6%	33.3%	26.7%	8.5%

Source: *CMEGroup.com*

Liquidity Dashboard

Recession Risk: High

Although the Real M2 Money Stock in the U.S. (reported monthly w/ a 30-day lag) has further improved since the record 2023 low **to end the month of March down -3.6% Y/Y.** It has been negative for the past 24 months – the second longest period of contraction on record. The data series goes back to January 1st 1960 and is seasonally adjusted. Prior to November 2022, the lowest print in the history of the data was -6.5% which occurred in April 1980 – in the midst of the first of two back-to-back recessions in the early 1980s, that were then widely considered to be the two worst recessions in U.S. since the great depression – up until 2008. What may be more important than the current Y/Y change is the fact that this decline follows another heretofore unprecedented extreme that occurred on the upside, when the series grew by 24.7% Y/Y during the pandemic shutdown. It would be logical to expect an upside move that peaked around 150% above the prior extreme, to be followed by a move in the opposite direction that overshoots the previous extreme by a similar proportion on the downside. Could this evaporation in liquidity be a prelude to deflation?

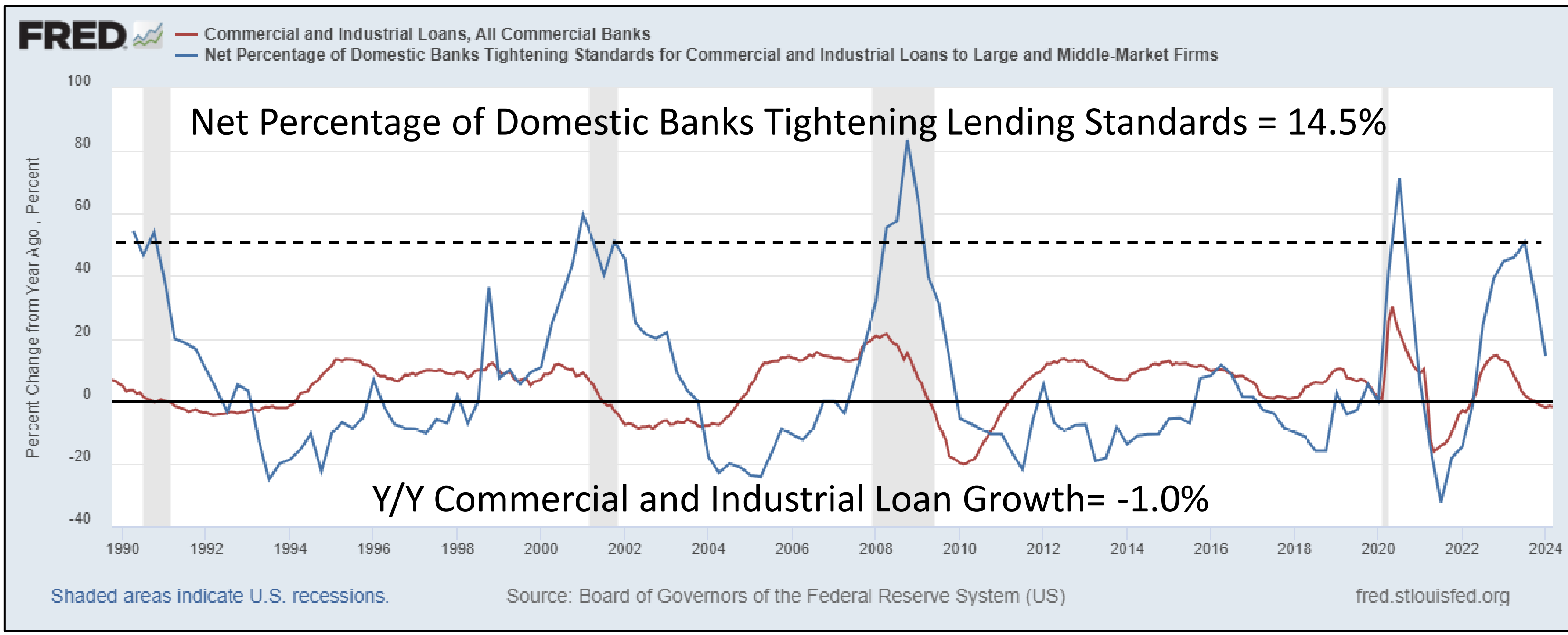


***Source:** fred.stlouisfed.org*

Bank Credit Dashboard

Recession Risk: High

The widely discussed, impending credit crunch has already arrived and appears to be in full-swing. According to the latest quarterly U.S. Senior Loan Officers Opinion Survey (SLOOS), while just 14.5% still see a tightening of credit and lending standards for C&I loans, **the growth of new commercial and industrial loans has contracted for a 5th consecutive month in April by a rate of -1.0% Y/Y.** This has never happened before in the history of the data without being preceded by or attended by a concomitant U.S. economic recession. As money continues to seek higher yields, bankers are attempting to stem the tide by offering competitive yields on Jumbo CDs, but depositors appear to be walking nonetheless, to move their cash from demand deposit accounts to higher yielding money market accounts and T-Bills where short maturity securities offer safety, liquidity, and yields of up to 5.4%. To be sure, the decline in funding sources and riskier collateral are tightening lending standards, but the rise is borrowing costs have curtailed new loan demand as well.

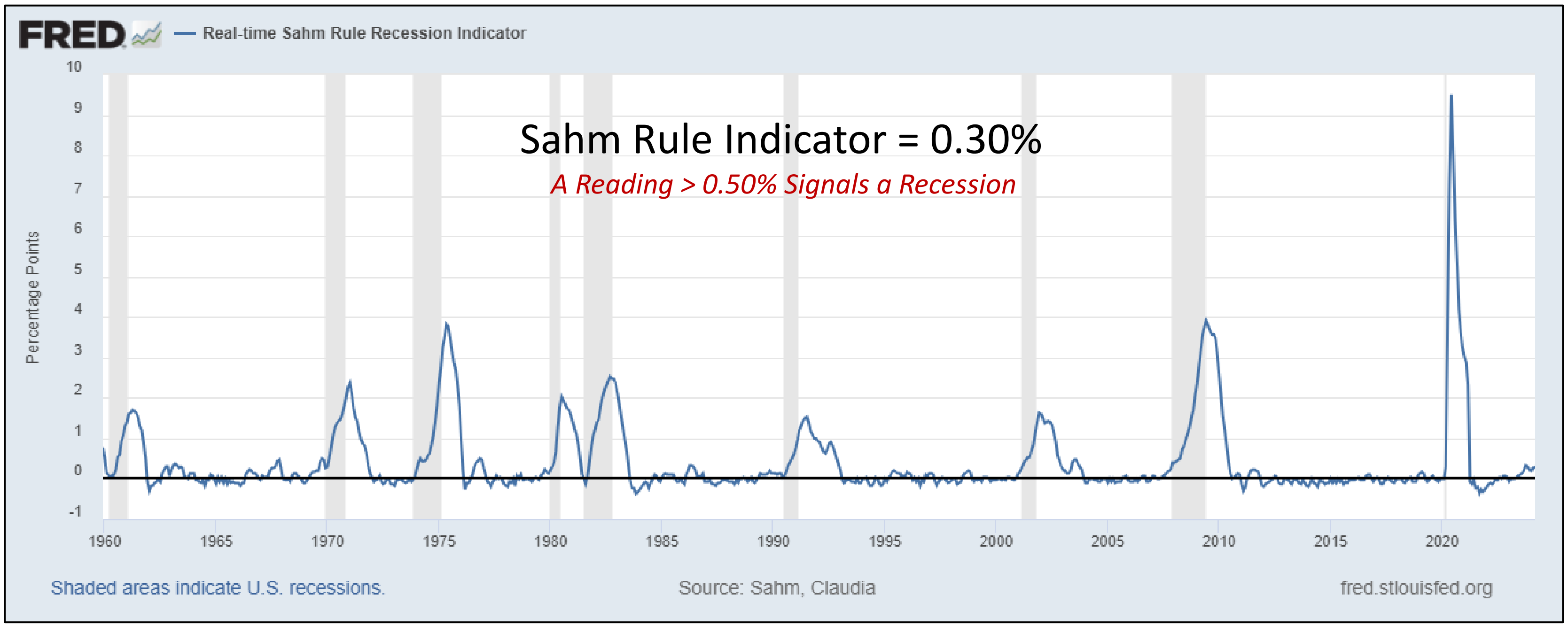


Source: *fred.stlouisfed.org*

Unemployment Dashboard

Recession Risk: Neutral (-)

On April 5th, the BLS reported that Non-Farm Payroll Employment grew by 303,000 jobs during the month of March and that the U-3 national unemployment rate ticked-down to 3.8%, but still up 40 bps from the cycle low of 3.4% in April 2023. Economist Claudia Sahm, formerly of the Federal Reserve and the Council of Economic Advisors, developed a heuristic indicator for determining when an economy has entered recession now known as the "Sahm Rule." The indicator signals the start of a recession when the 3-month moving average of the national unemployment rate (U-3) rises by 0.50 percentage points or more over it's 12-month low. The Sahm rule has triggered approximately 1-3 months into the last several recessions with the beginning of each recession retroactively determined by the NBER. The model has been praised for its simplicity and historically low rate of false positives. The current reading is 0.30 percentage points, up from a 12-month low of zero percentage points. **In our opinion, the probability is increasingly high that by the time the BLS publishes its unemployment report for the month of May, the indicator will trigger a recession signal based upon past downwardly revised prior months NFP employment data.**

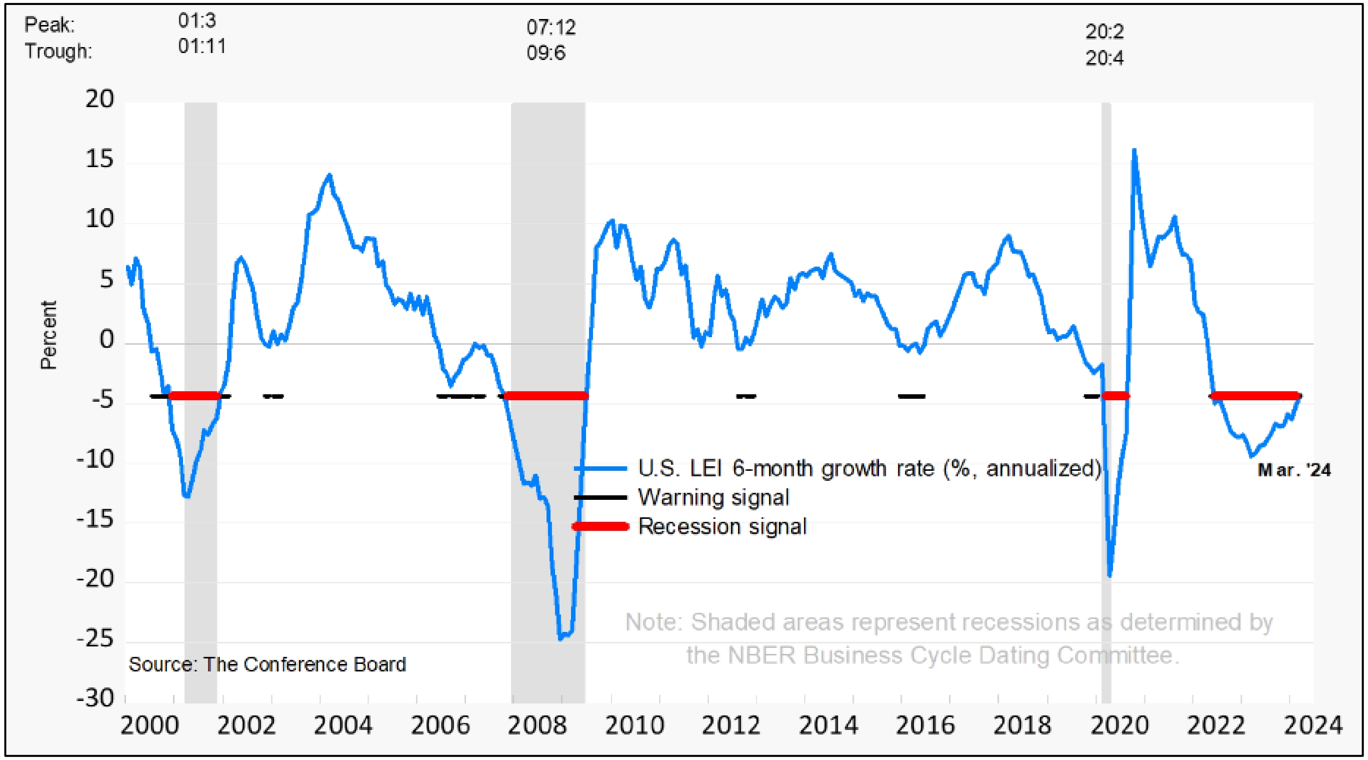


Source: *fred.stlouisfed.org*

Economic Indicator Dashboard

Recession Risk: High (+)

The Conference Board's Leading Economic Index (reported monthly w/ a 30-day lag) **decreased by -0.3% in March,** following an uptick of +0.1% in February. The LEI is down -2.2% over the six-month period ending March 2024, a smaller decrease compared to the prior six-month period. The LEI index model continues to signal a recession over the next 12-months. The LEI has a 100% hit rate when it comes to anticipating recessions. The trigger occurs when the LEI declines for at least two consecutive months. This most recently occurred 19-months ago in August 2022 and has remained negative ever since. **According to the Conference Board, "Overall, the Index points to a fragile—if not recessionary—outlook for the U.S. economy. Indeed, rising consumer debt, elevated interest rates, and persistent inflation pressures continue to pose risks to economic activity in 2024."**

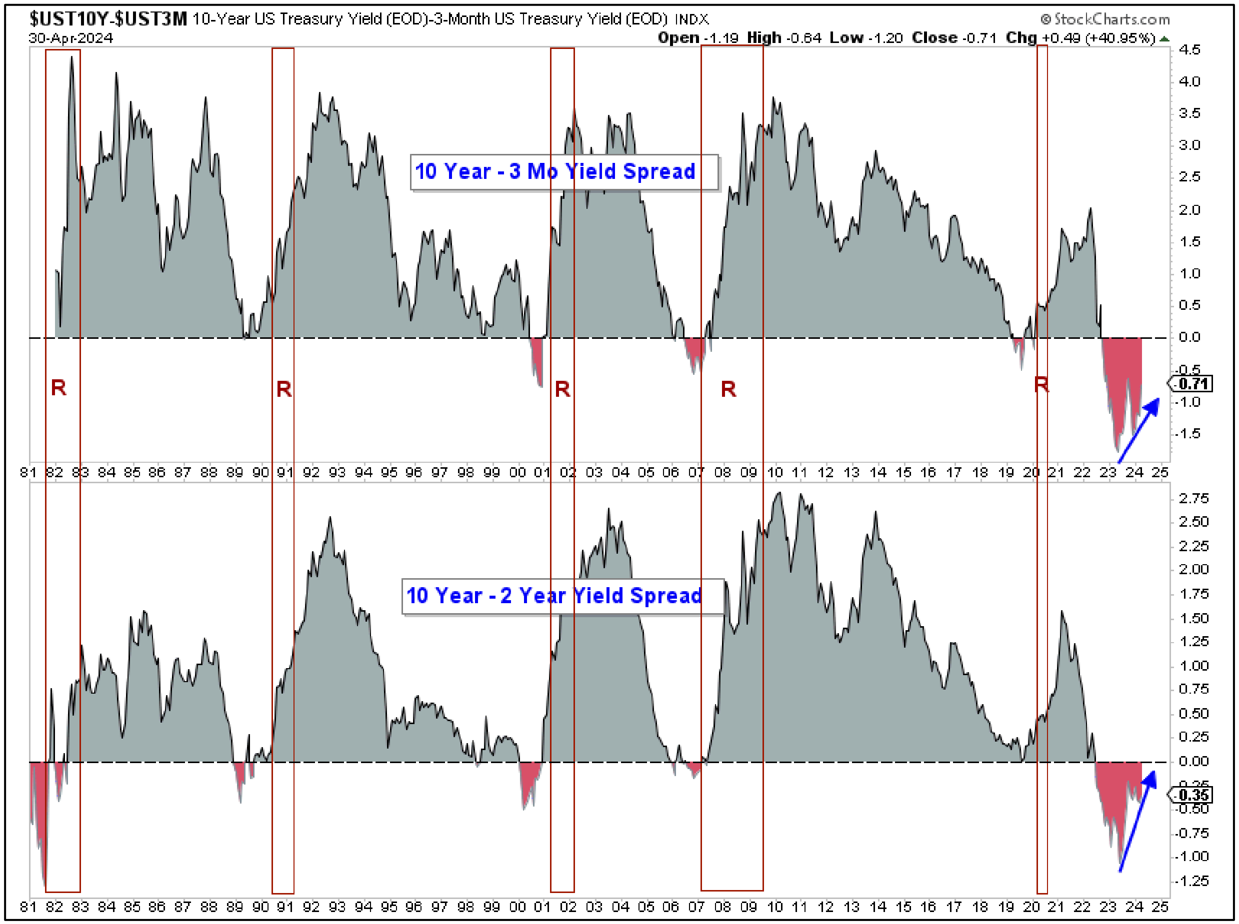


Source: *conference-board.org*

Yield Curve Dashboard

Recession Risk: High

In a sharp reversal since month-end December, the inversion of the 10 Year – 3 Month Treasury yield curve has moved back to **-71 bps**, but remains in a re-steepening phase vs. the April low of -215 bps. The inversion of the 10 Year – 2 Year Treasury yield curve has slipped to **-35 bps**, vs. its low of -108 bps in June. An inverted yield curve has preceded each of the past five recessions by as few as 10, and as many as 33 months; it is the shot across the bow. **But it's when the curve begins to re-steepen that you know the torpedoes are in the water!**



Source: *StockCharts.com*

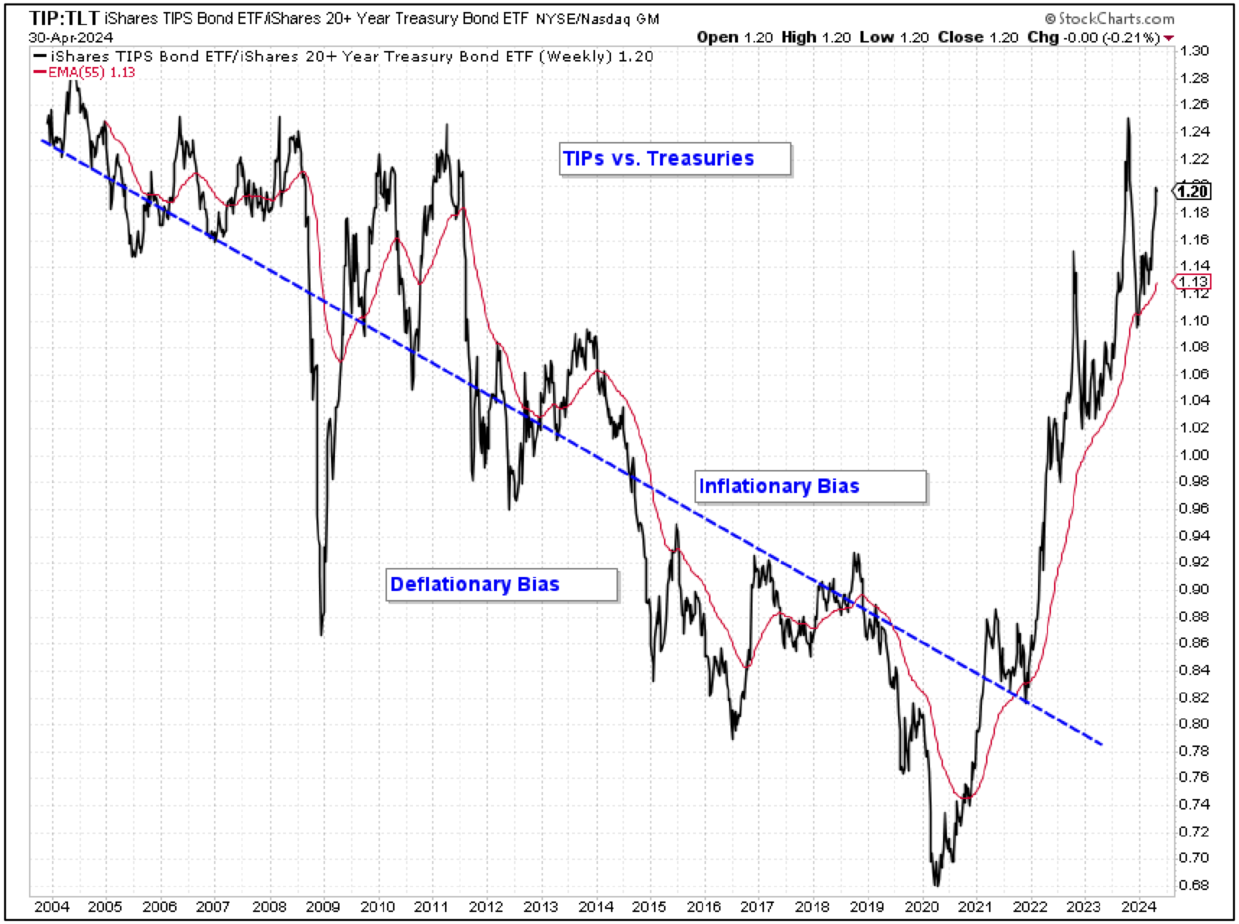
Short Duration vs. Long Duration

Our model continues to favor **Short Duration** bonds over Long Duration bonds**.**

Source: *StockCharts.com*

Inflation-Protected vs. Fixed-Rate

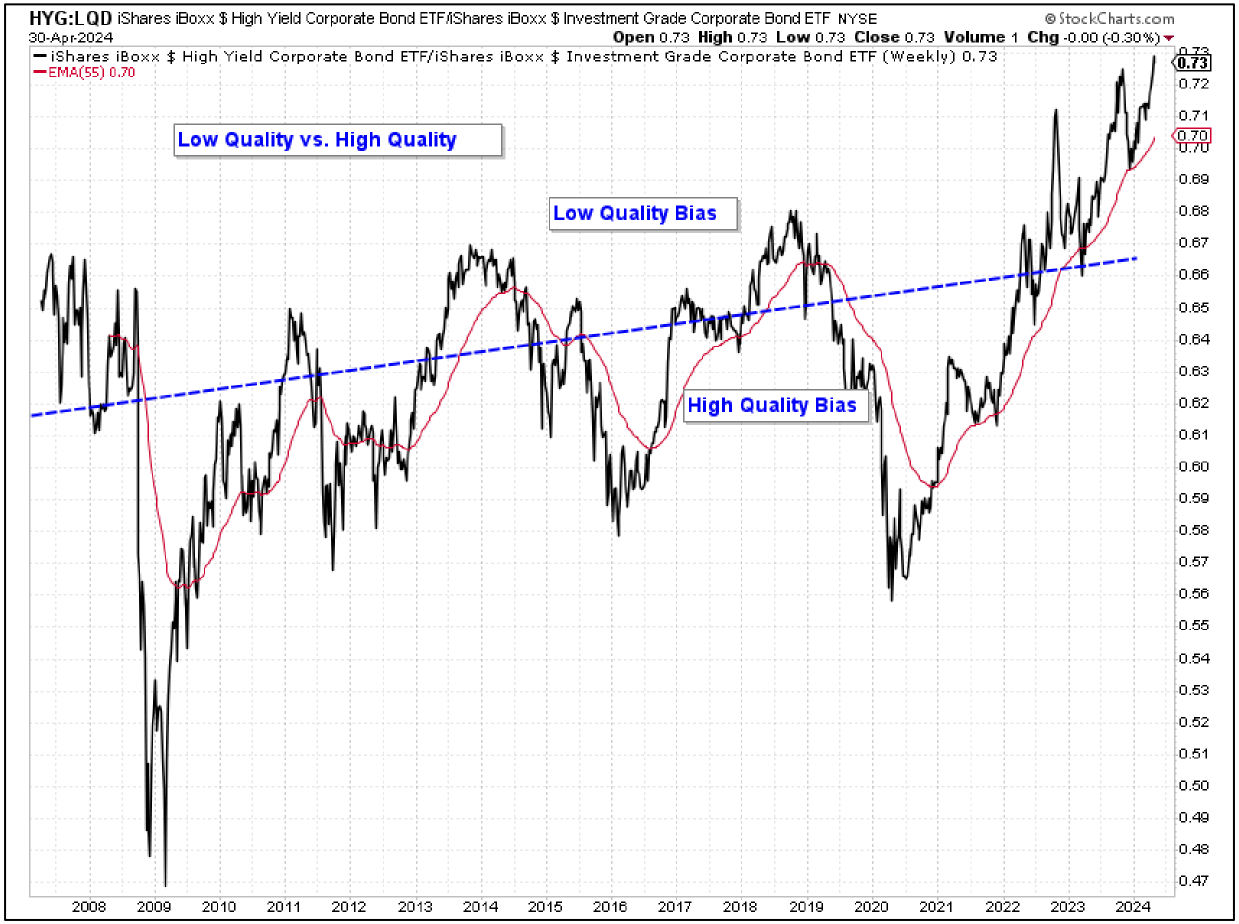
Our model continues to favor **Inflation-Protected** bonds over Fixed-Rate bonds.



Source: *StockCharts.com*

Low Quality vs. High Quality

Our model continues to favor **Low Quality** credits over High Quality credits.



Source: *StockCharts.com*

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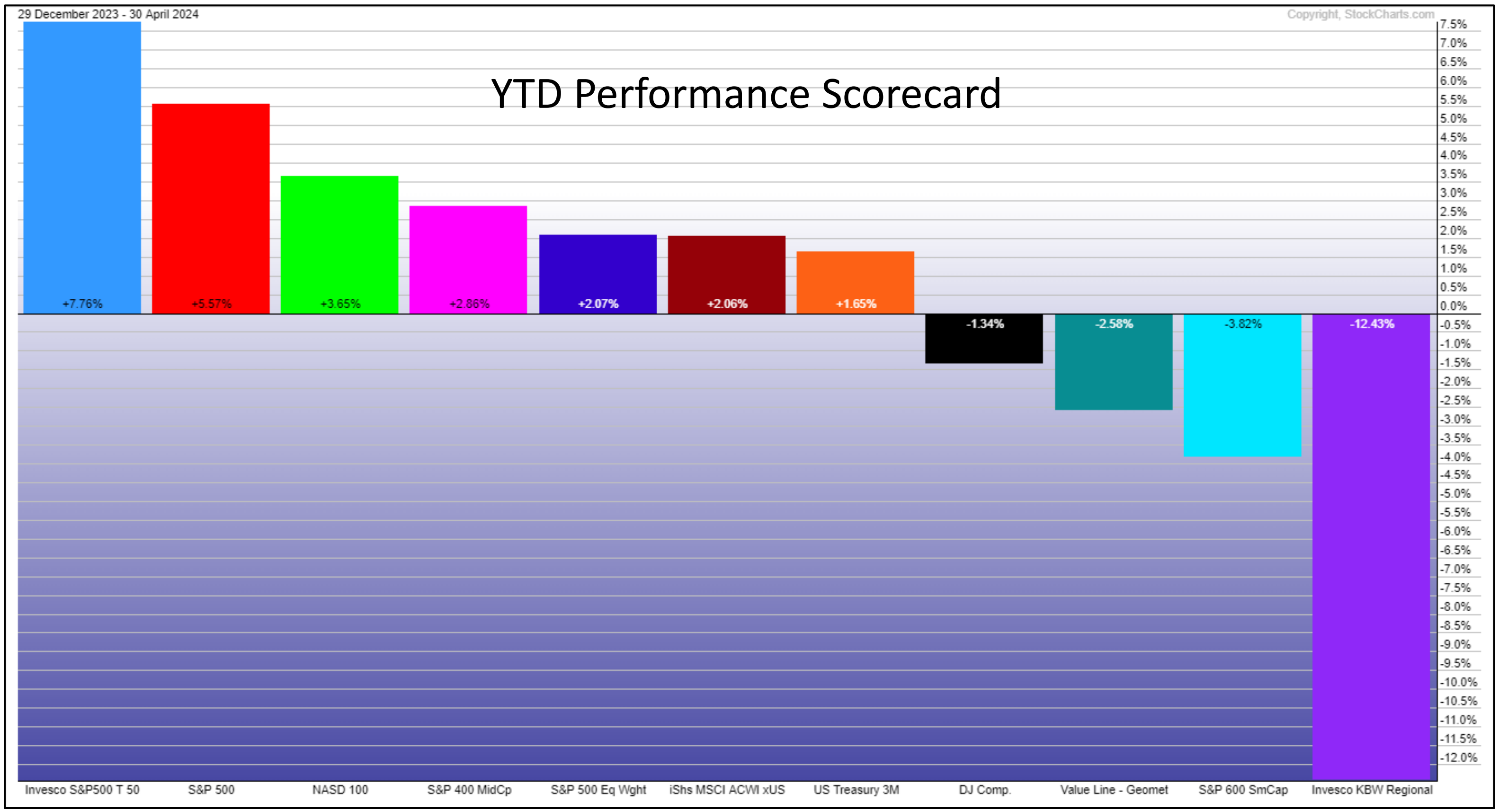
Source: *Hedgeye.com*

U.S. EQUITY MARKETS

- ❑ Performance Attribution
- ❑ Elliott Wave Analysis
- ❑ Large-Cap
- ❑ Mid-Cap
- ❑ Small-Cap
- ❑ Breadth, Trend, Momentum, Sentiment, Leverage, Earnings, Valuation

The Raging Bull Market of 2024!

It remains a bifurcated market, where on the one hand, large-cap issues have produced outsized returns (+7.8%), while on the other hand, small-cap issues are down on the year (-3.8%). Moreover, the Dow Jones Composite is underperforming T-Bills YTD – as is the median stock in the U.S. Indeed, the performance of the average stock in the S&P 500, and worldwide for that matter, is only slightly better. Some notable weak spots include the formerly Magnificent Seven, which collectively have experienced mixed results this year. While NVDA remains a darling in the eyes of the AI bulls, Sunday night's 60-Minutes expose on the company may be indicative of the peak in investor bullishness toward the stock. Meanwhile, the Technology sector has been underperforming YTD. Regional banks remain in the penalty box despite the Fed all but guaranteeing their support to preserve the banking system in its present form. And while the indexes have been held aloft by a few mega-cap leaders, there are cracks forming under the surface of the market to be sure.



Source: *StockCharts.com*

Preferred Elliott Wave Count

Our preferred Elliott Wave count presumes that the S&P 500 is in the final subdivisions of cycle wave V of supercycle wave (III). Intermediate wave 5 up has extended past the upper boundary of a parallel trend channel. **A sustained reversal back below SPX 5038 would mark the end of the advance off the October 27th low.** A move below SPX 4920 would confirm the end of primary wave (5) of cycle wave V -- and by extension, supercycle wave (III) up.

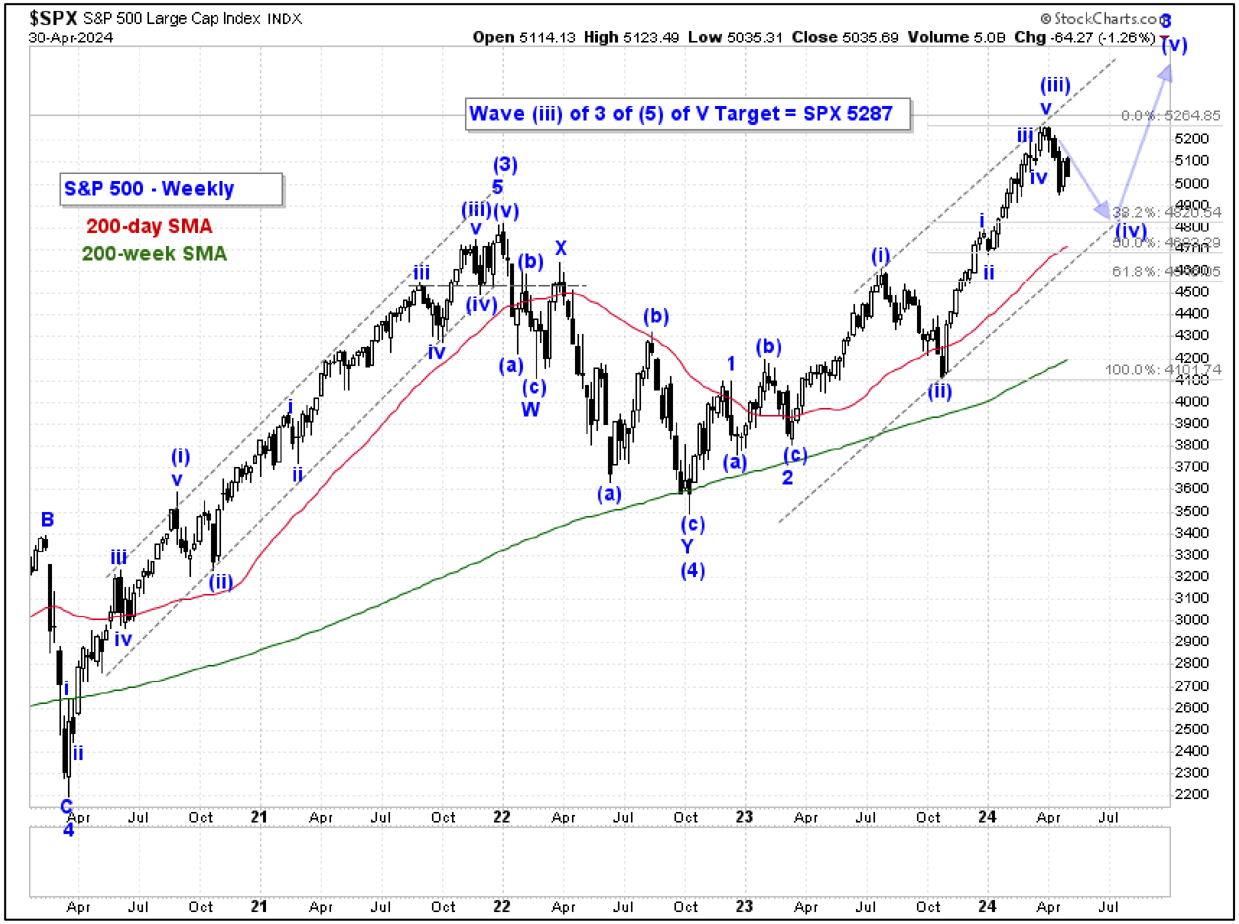
15-Year Monthly View

4-Year Weekly View

 Source: *StockCharts.com*

New Top Alternate Elliott Wave Count

Our top alternate count now assumes that intermediate *wave 3* of primary *wave (5)* is sub-dividing at minor degree of trend [(i)-(ii)-(iii)-(iv)-(v)]. If this count proves correct, then minor *wave (iii)* up is now very near a top, and minor *wave (iv)* down is poised to unfold. As third waves tend to channel and fourth wave tend to alternate relative to second waves – since minor *wave (ii)* was deep and succinct, minor *wave (iv)* is likely to be shallow and extended – suggesting a symmetrical triangle form is probable, with a 38.2% retracement of the minor *wave (iii)* advance. This countertrend reset will then be followed by minor *wave (v)* up to complete intermediate *wave 3,* of primary *wave (5)*. Under this very bullish scenario, we believe that intermediate *wave 3* would likely carry to a target range of SPX 5800-6000, with even greater bullish potential before terminating primary *wave (5)* up -- and by extension, cycle *wave V* of supercycle *wave (III).*



Source: *StockCharts.com*

The Broad Market Tells a Bearish Tale

The **Value Line Composite index** equally weights the largest 1,700 stocks, and represents 90% of the revenue generated by all publicly traded companies in the U.S. The **Russell 2000 index** includes the most liquid small-cap stocks in the U.S. Despite a dramatic rally off the October 27th lows, both of these broad market measures remain below the 50.0% retracement of their respective primary wave (A) declines. **Both also appear to have either completed -- or very nearly completed, "flat" corrective wave forms to mark the end of their primary wave (B) countertrend advances.**

Source: *StockCharts.com*

U.S. Large Cap S&P 500 Index

Bullish (+5.57% YTD)

Observations:

- ❑ **Price** closed April down 4.16%, holding well-above key support, but failing to post new closing high.
- ❑ **Momentum** remains positive, but has turned down after penetrating above trend resistance, and now appears poised to test trend support.
- ❑ **Relative strength** of large-cap stocks vs. the S&P Composite 1500 has stabilized, but so far has only managed to make a lower high vs. the December peak.
- ❑ **Trend Bullish: Above 4607**
- ❑ **Trend Bearish: Below 4101**

Conclusions:

- ❑ **Market Weight.** The long-term structural trend remains constructive, and the primary trend has turned positive. Upward trending price action, positive momentum, and improved RS suggest that the years-long consolidation has reached its conclusion. Maintaining our bullish technical rating for now. A monthly close below chart support at 4607 would move our technical view back to neutral. A breach of 4101 would warrant a downgrade to bearish.
- ❑ **Target = 5444**

Source: StockCharts.com

U.S. Mid Cap S&P 400 Index

Bullish (+2.86% YTD)

Observations:

- **Price** closed April down 6.08%, holding above key support, but failing to post new closing high.
- **Momentum** remains positive after penetrating above trend resistance, but has since turned back down.
- **Relative strength** of mid-cap stocks vs. S&P Composite 1500 has been basing since October following a sharp decline from chart resistance.
- **Trend Bullish: Above 2842**
- **Trend Bearish: Below 2203**

Conclusions:

- **Overweight.** The long-term structural trend remains constructive, and the primary trend is also positive. The recent new all-time high confirmed by momentum, suggests that the years-long consolidation may be nearing its conclusion. Improvement in RS would aid the bull case. Maintaining our bullish technical rating for now. A close below the 21-month MA would move our view back to neutral. A close below structural support at 2203 would warrant a downgrade to bearish.
- **Target = 3155**

Source: StockCharts.com

U.S. Small Cap S&P 600 Index

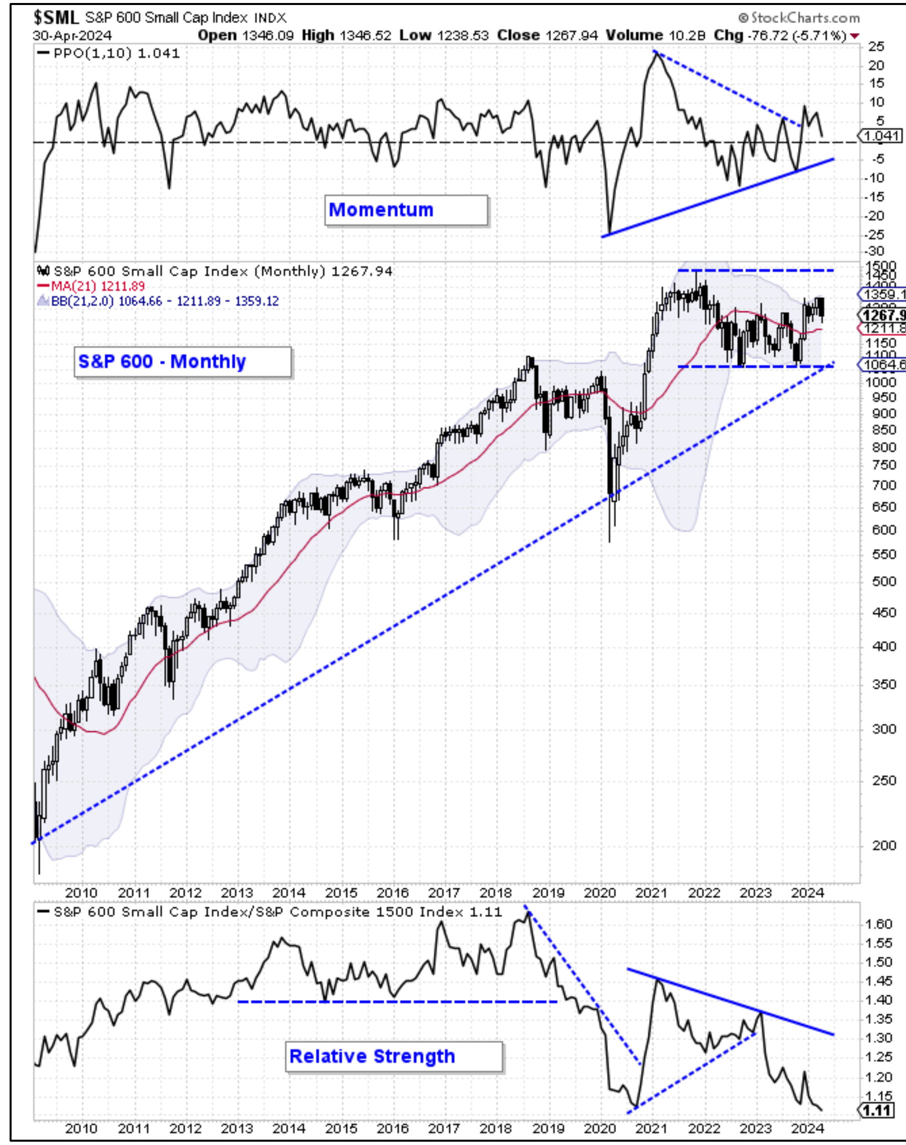
Neutral (-3.82% YTD)

Observations:

- ❑ **Price** closed April down 5.71%, to hold above the 21-month MA, but failed to post a new recovery high.
- ❑ **Momentum** remains positive after penetrating above trend resistance, but has since turned back down.
- ❑ **Relative strength** of small-cap stocks vs. S&P Composite 1500 posted a new 3-year low in April.
- ❑ **Trend Bullish: Above 1478**
- ❑ **Trend Bearish: Below 1064**

Conclusions:

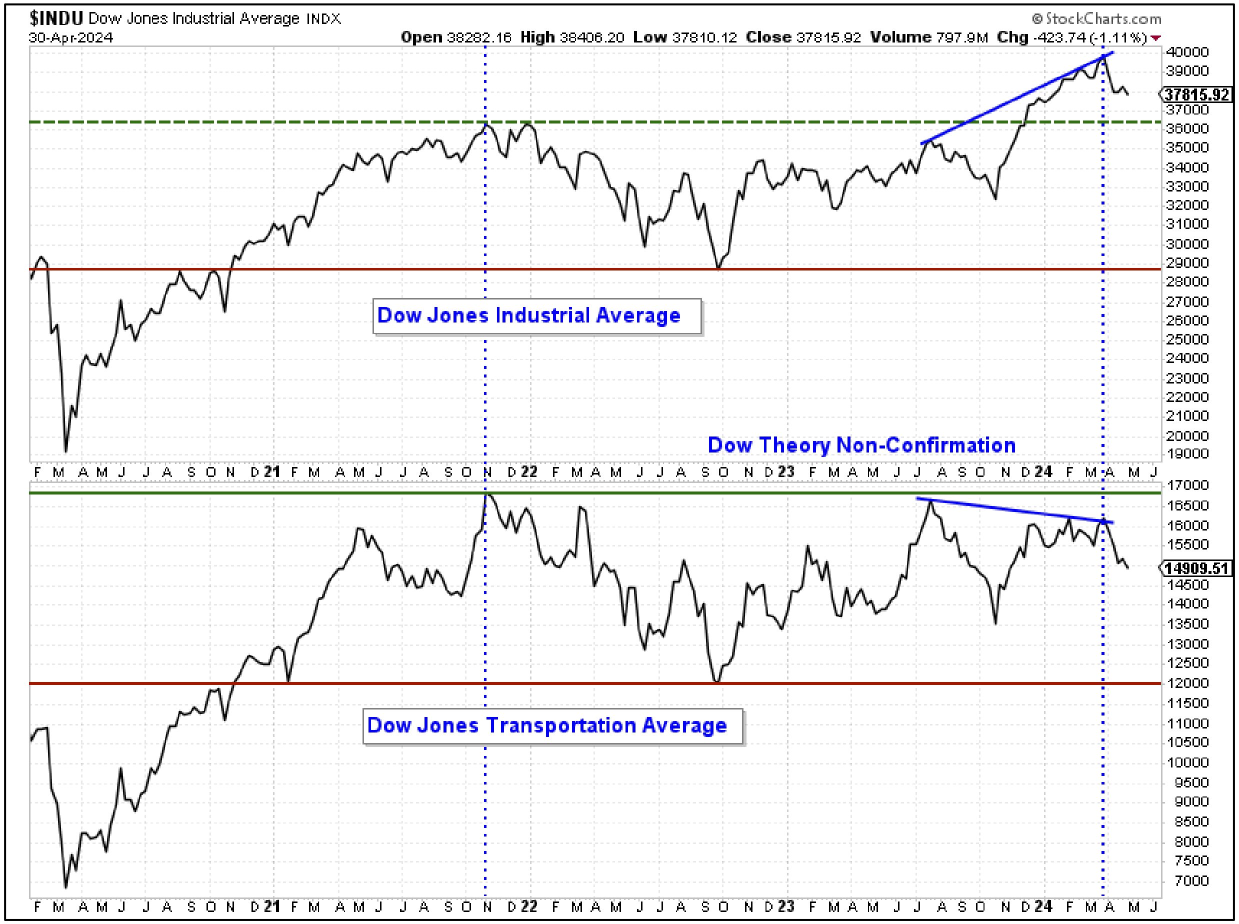
- ❑ **Underweight.** While the long-term structural trend remains constructive, the primary trend is still neutral. The recovery in price and momentum, suggests that the years-long consolidation may be nearing its conclusion. Improvement in RS would aid the bull case. Maintaining our neutral technical rating for now. A new all-time high would move our rating to bullish. A monthly close below chart support at 1064 would warrant a downgrade to bearish.
- ❑ Target = N/A



Source: StockCharts.com

Dow Theory Non-Confirmation Persists

The Dow Theory is an approach to market analysis developed by Charles H. Dow, the founder of Dow Jones & Company, Inc. and developer of the Dow Jones Industrial Average back in 1896. Dow believed that the stock market as a whole was a reliable measure of overall business conditions within the economy and that by analyzing the overall market, one could accurately gauge those conditions and identify the future direction for stock prices. For a trend to be established, Dow postulated that the indices or market averages must confirm one another -- meaning the signals that occur in the index of stocks that produce the goods must correspond with the signals that occur in the index of stocks that transport the goods. If they didn't, then the market may be sending a false signal. **In short, if the Dow Jones Industrial Average (DJIA) climbs to a new high, then the Dow Jones Transportation Average (DJTA) must also climb to a new high in order to confirm a new uptrend.**



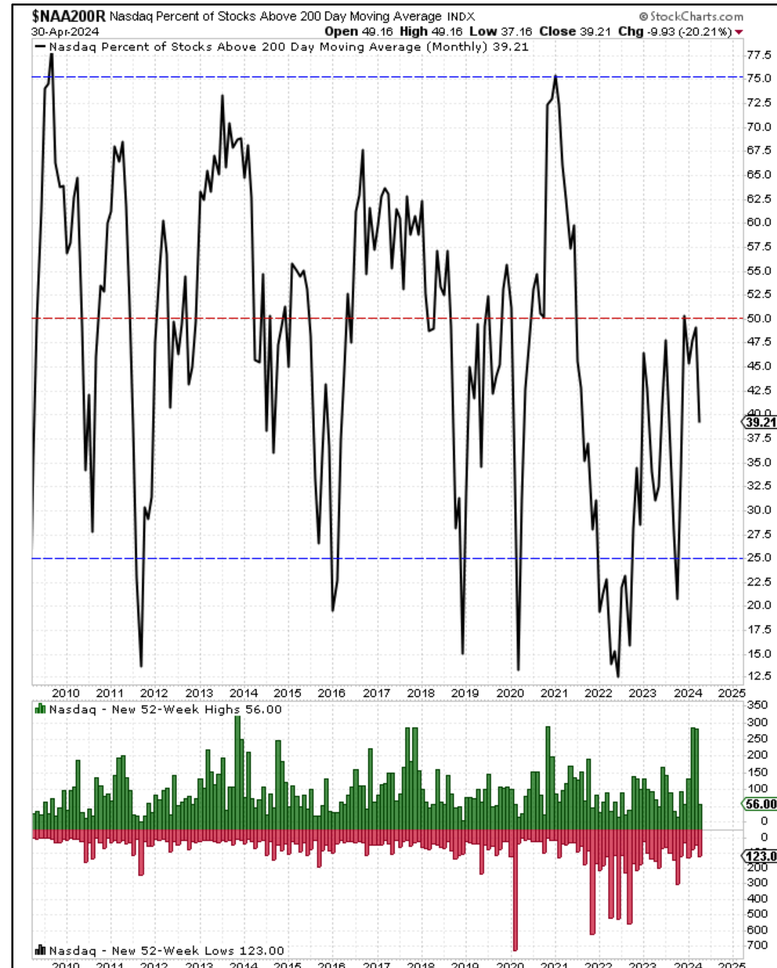
Source: *StockCharts.com*

Market Breadth Has Likely Peaked

Just 48% of all US stocks are now trading above their 200-DMA, with new lows outnumbering new highs in April by 1.3-to-1.

NYSE % Stocks Above 200-DMA

NASDAQ % Stocks Above 200-DMA

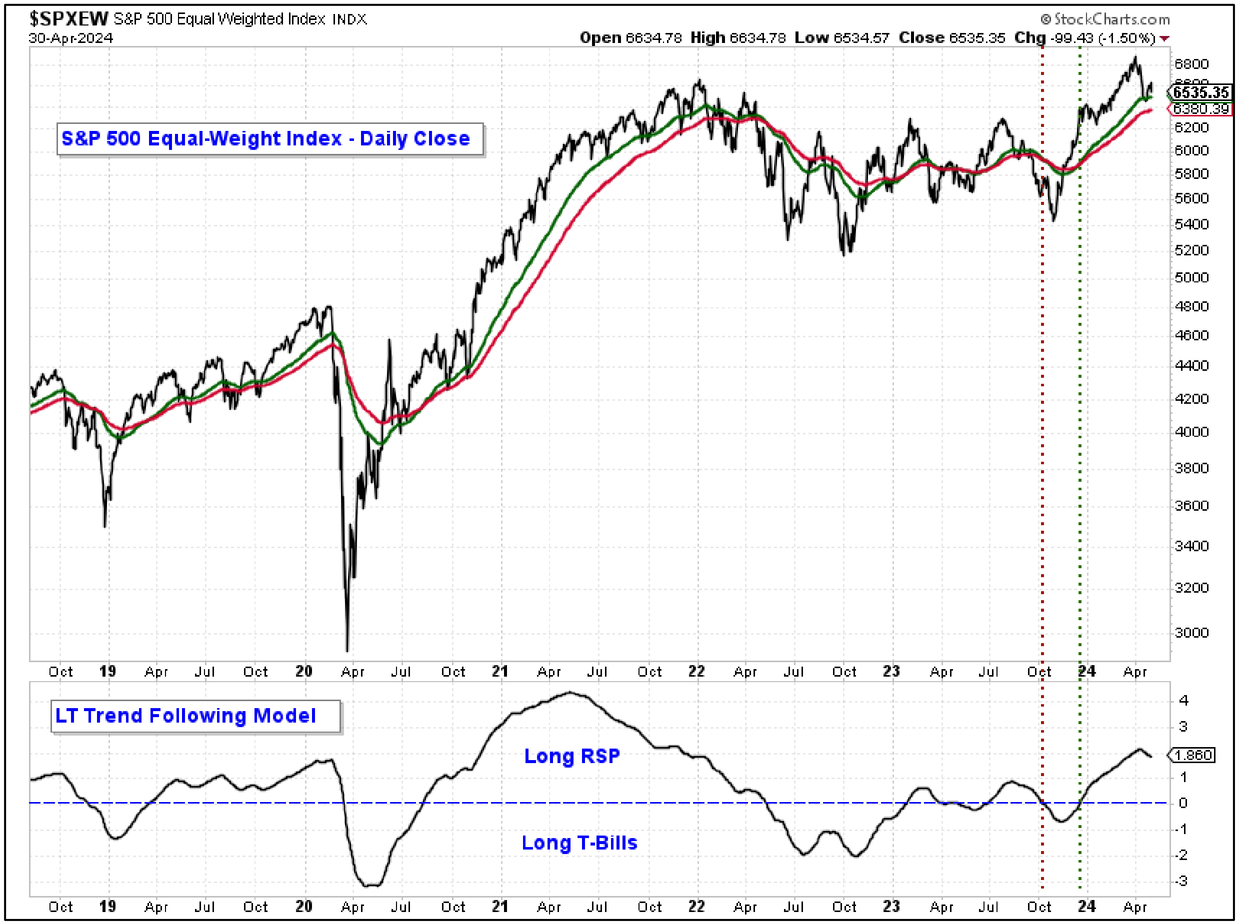


New 52-Week Highs and Lows

Source: *StockCharts.com*

LT Trend Following Model: Positive

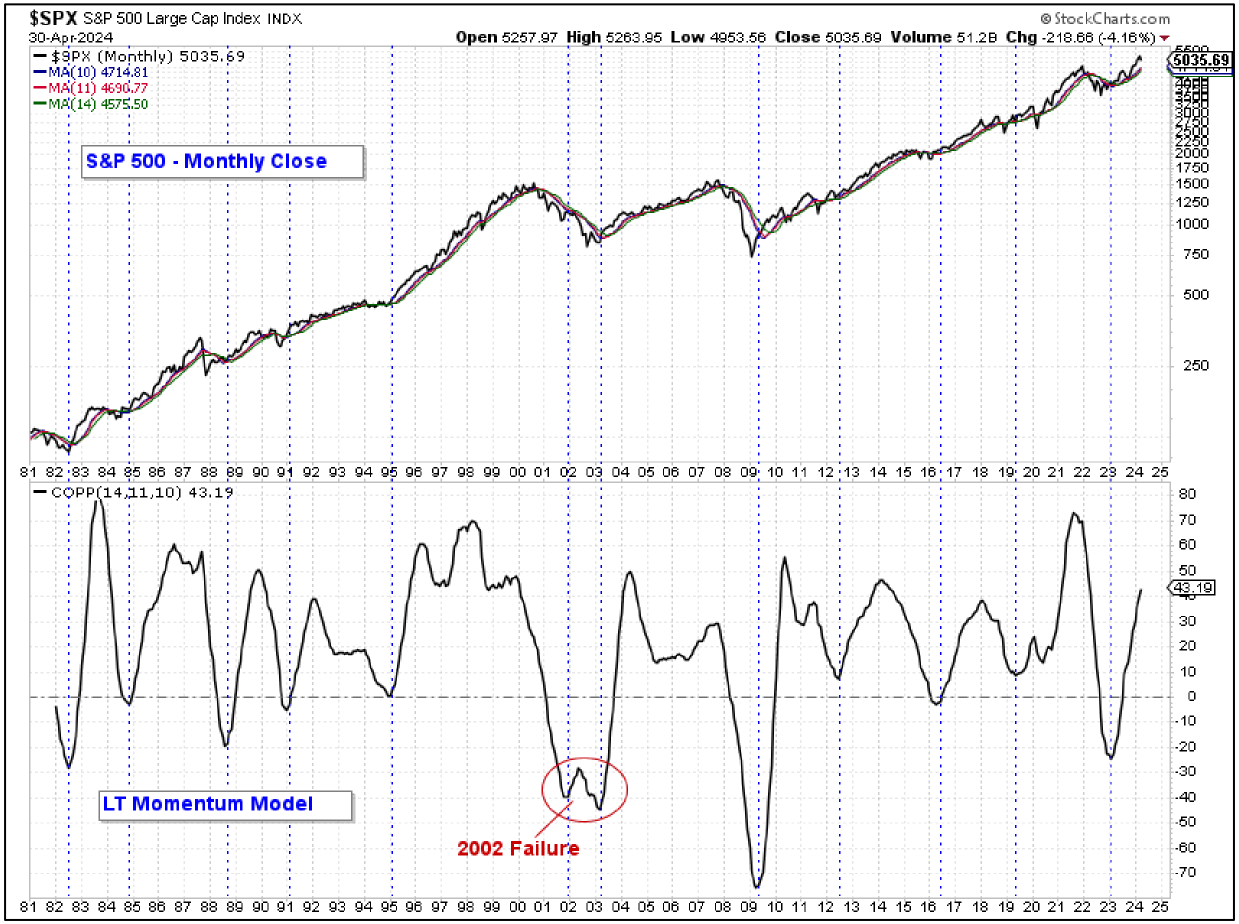
Our LT trend-following model has an impeccable track record of identifying important trend changes. It consists of a base moving average (red) to define the primary trend, and a faster moving average (green) with a 3:2 ratio to define the trend change signals. **The model confirmed a positive trend signal for the S&P 500 Equal-Weight index on December 13, 2023.**



Source: *StockCharts.com*

LT Momentum Model: Positive

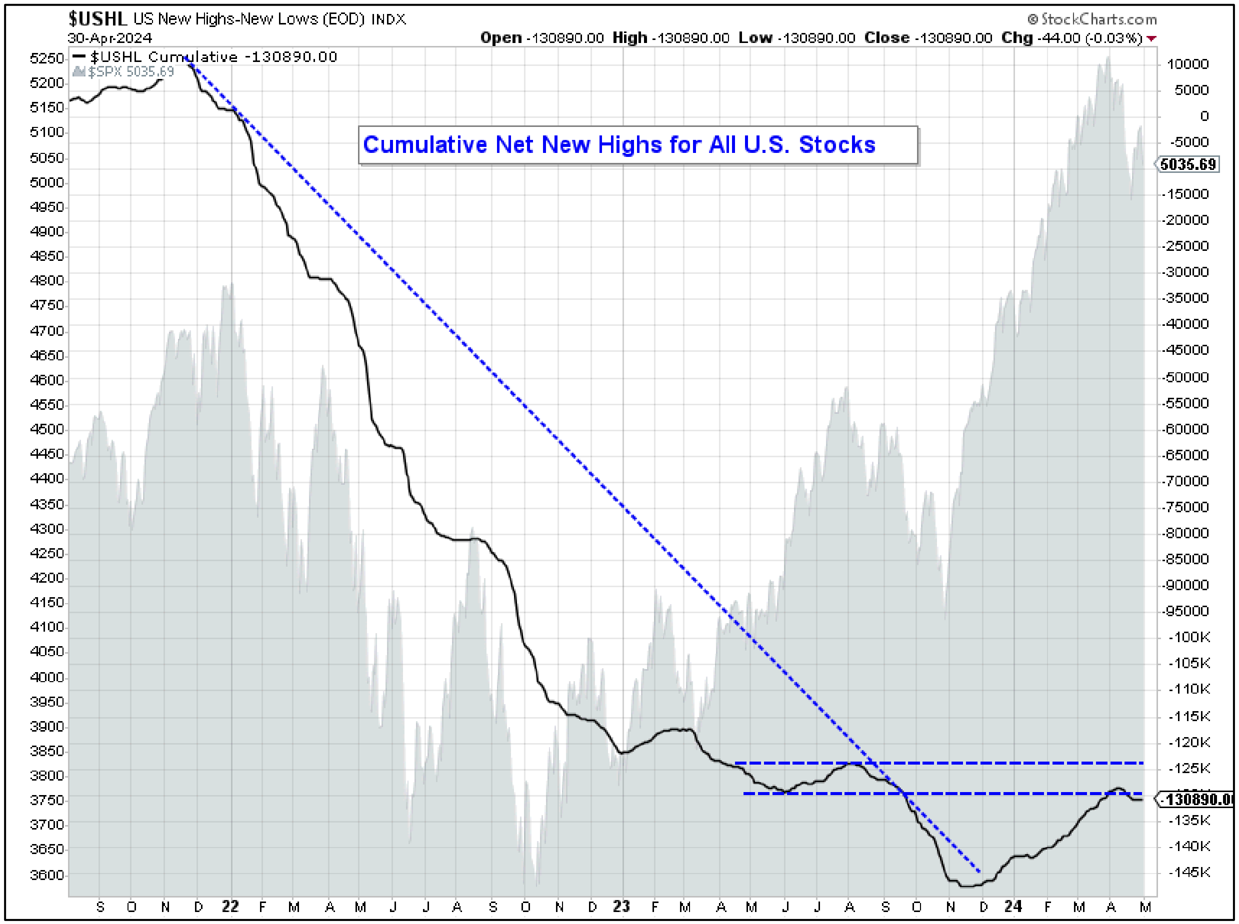
Our long-term momentum model remains positive. That model triggered a positive signal on March 31st, 2022 **The April monthly closing level of 43.19 exceeded the February 2023 monthly closing low of -24.76.** The model has a near-perfect track record since 1957, but can see positive reversal signals canceled – as was the case in 2002. Any reading below -24.76 would cancel the current positive signal and constitute a negative reversal.



Source: *StockCharts.com*

Cumulative Net New Highs: -0.7% M/M

Net new highs on a cumulative basis have historically been a good leading indicator of price trend. Cumulative net new highs for all US stocks plunged to a bear market low in November, following their October collapse, but have since turned up to penetrate trend resistance and are now challenging chart resistance.



Source: *StockCharts.com*

Advance-Decline Lines Remain Mixed

Negative divergences between price and the A/D Line have historically tended to precede important trend reversals, but they don't always occur. The March recovery high in the NYSE Composite was confirmed by an accompanying new recovery high in the NYSE A/D Line. However, the March recovery high in the NASDAQ Composite was *not* confirmed by a new recovery high in the NASDAQ A/D line. Indeed, the NADAQ A/D line has barely rebounded off its lows, while the NYSE A/D line held at key support.

Source: *StockCharts.com*

Net Advancing Volume Now Mixed

Listed net advancing volume has reversed back below trend support, while NASDAQ net advancing volume has posted a new all-time high.

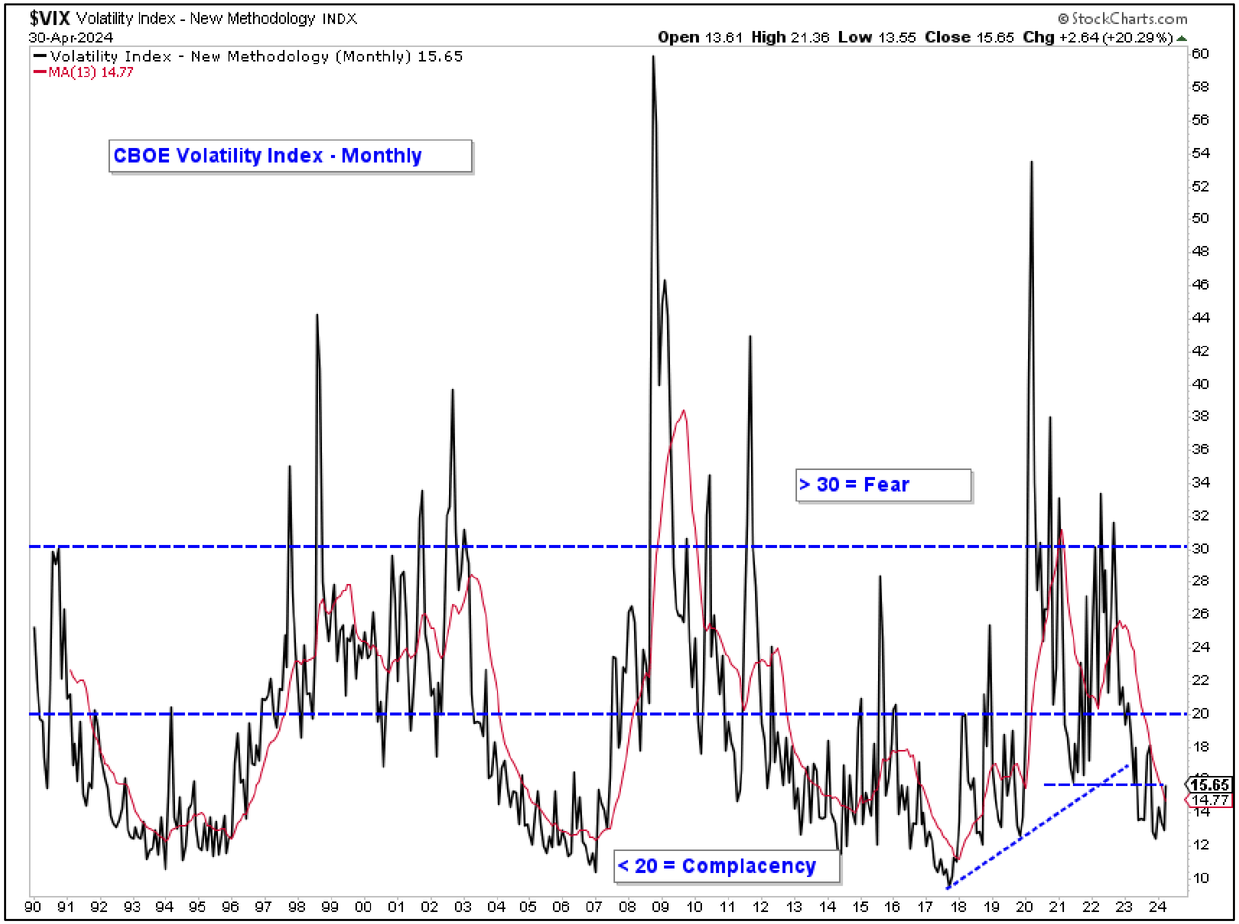
NYSE: Breakdown Below Trend Support

NASDAQ: New All-Time High

Source: *StockCharts.com*

Volatility Setting-Up to Surge?

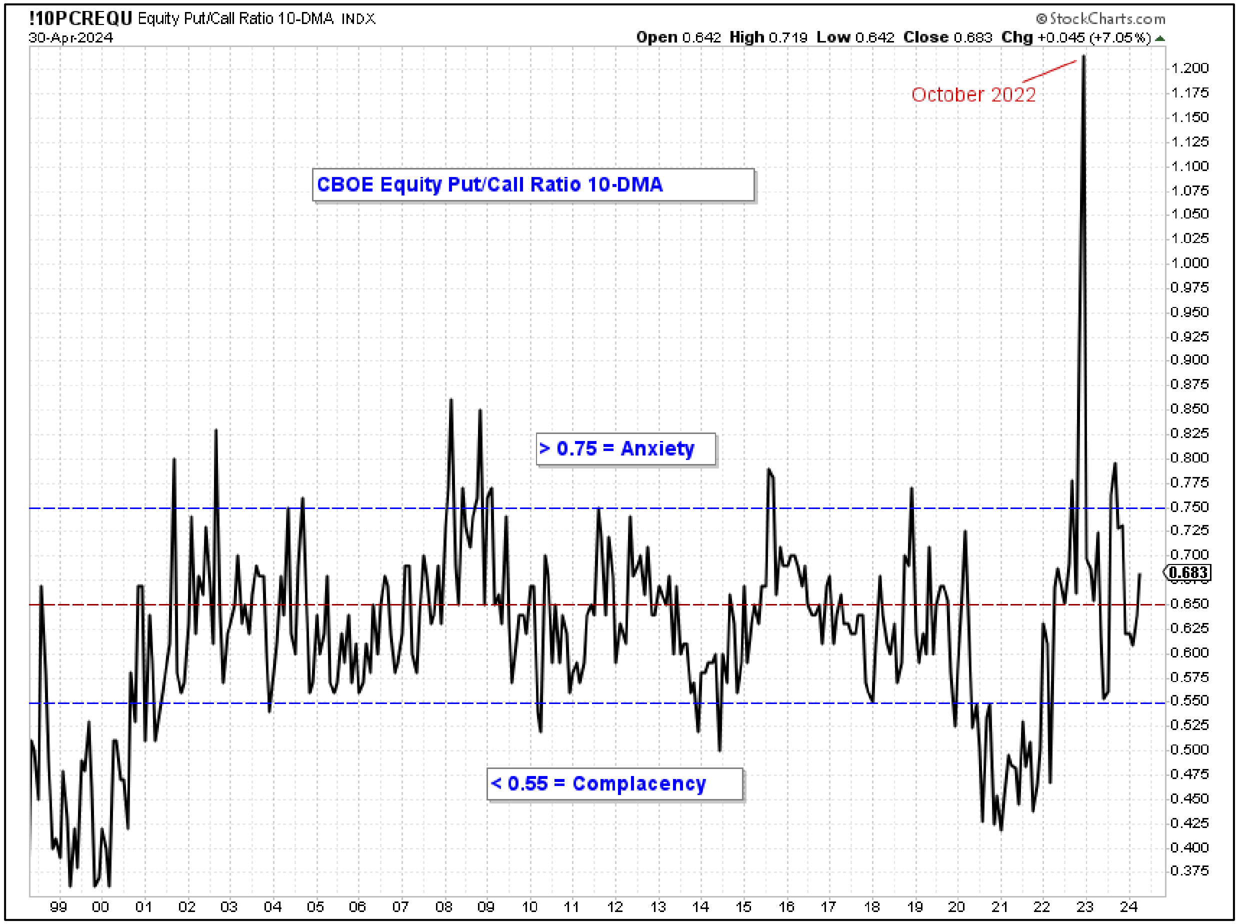
Volatility, as measured by the **VIX, ended April at 15.65%** to challenge the 13-month MA. The current level of the VIX likely reflects an initial reversal from a bullish extreme in investor sentiment that was based upon the perceived easing of Fed policy and historically positive seasonal and cyclical expectations. **With the VIX now deeply oversold, vacillating below its 13-month MA, and posting a higher low since December, we suspect that volatility is setting up for surge above 40% to mark the next major peak in the VIX.**



Source: StockCharts.com

Put/Call Ratio is Not Yet Extreme

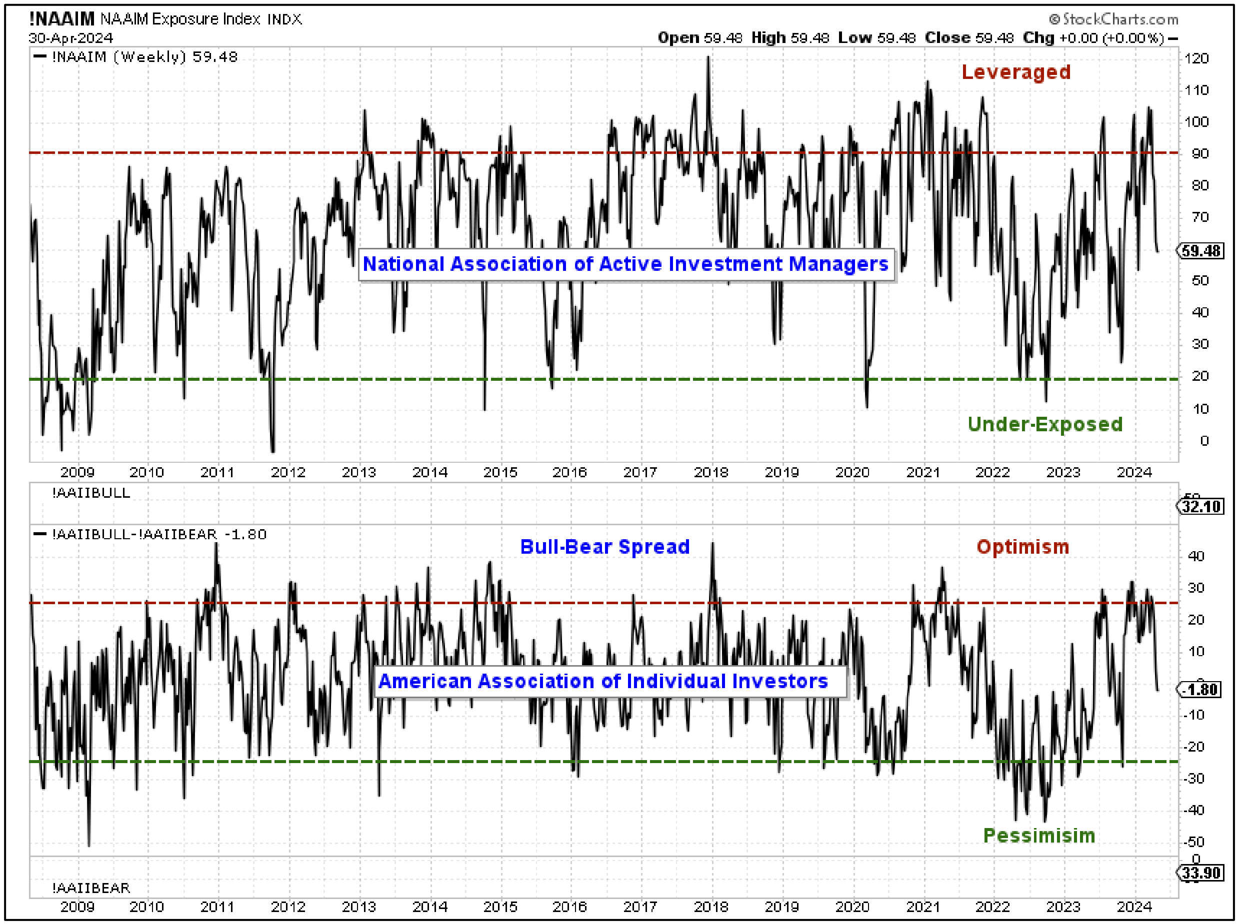
The 10-DMA of the CBOE Equity Put/Call ratio ended the month of April higher at 0.68, but holding below levels typical of investor capitulation. The latest reading suggests that fear remains subdued, and that ATM Call buying outnumbers ATM Put buying on a 10-day average basis. That being said, if the new uptrend in the VIX persists as we expect, then the Put/Call ratio will likely follow higher.



Source: *StockCharts.com*

Sentiment is a Long Way from Pessimism

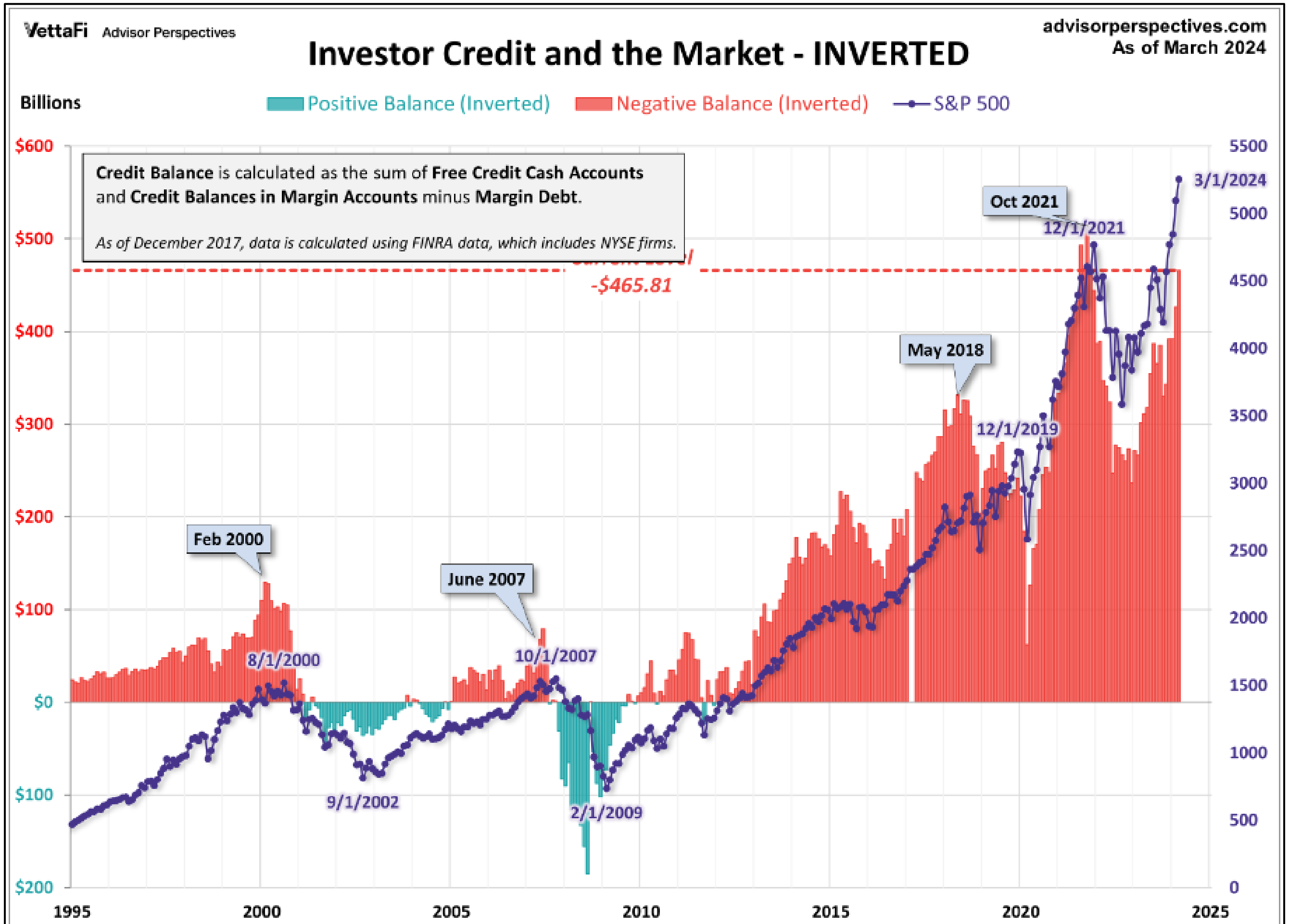
The NAAIM Exposure Index of professional investment managers saw a further contraction to 59.5% last week vs. 63% the prior week. In addition, the results from the latest weekly AAII sentiment survey saw the number of individual investors describing themselves as bullish slip further to 32.1% from 38.3%, while those describing themselves as bearish held flat at 34.0% in the prior week. As a result, the Bull-Bear spread slipped further to -1.8%, from 4.3% previously. While investor sentiment has clearly come off the boil, it's still a very long way from being pessimistic based upon history.



Source: *InvestorsIntelligence.com*

Margin Debt Dashboard

Total margin debt increased in March by $41.1B to $784.1B (reported with a 1-month delay) -- now just 16% below the all-time record high of $935.9B recorded in August, 2021. Y/Y growth actually peaked in March of 2021 at 71%, and ended the latest month at +21.5% after plunging to a cycle low of -33% more than a year ago. **Investors' net credit balance fell sharply in March to -$465.8B vs. -$426.2B in February – but with some 3x the leverage that existed at the 2000 and 2007 stock market peaks.**



Source: *AdvisorPerspectives.com*

Earnings Growth Dashboard

Our top-down economic analysis continues to point toward a high probability of recession throughout 2024. The initial re-steepening of the yield curve, the sustained negative six-month ROC of the LEI index, 24-months of contracting M2 money supply, tightened bank credit conditions, and a deterioration in national employment trends all suggest the point of no return may be very near, if not already be upon us. Assuming that S&P op-EPS peaked in 2023 at $220, then an EPS drawdown of 29.5% (the average peak-to-trough decline during recessions since 1957) would target 2024 earnings at $155. Our work is somewhat less-extreme, and assumes that an EPS drawdown will be back-end loaded. **Our 2024 op-EPS estimate remains unchanged at $187 -- a decline of 15% Y/Y, or about half the historical average recession driven earnings drawdown in total. As analyst's estimates have trended modestly lower over the past month, our 2024 op-EPS estimate is now only 22% below the street consensus.** We think that if our estimate misses the mark, it will most likely be because it's still way too high. And if our estimate does prove to be in the ballpark, then the S&P 500 is now trading at a P/E multiple of at least 26.9x FTM earnings. We consider the street's current 2025 S&P op-EPS estimate of $273 to be utterly baseless.

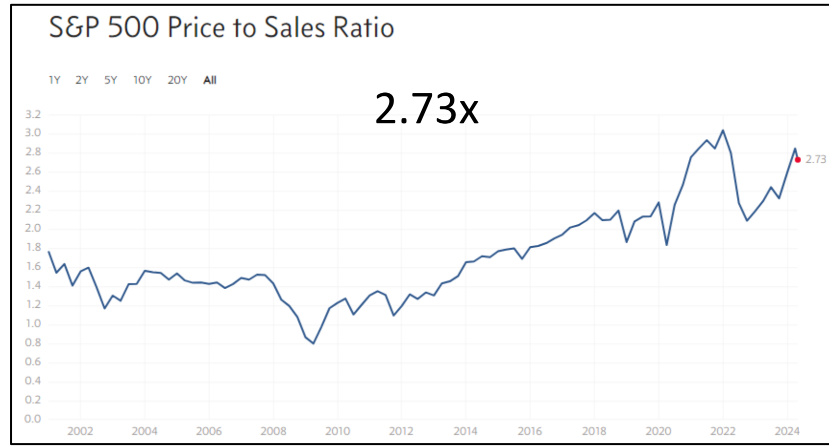
S&P 500 Op-EPS Estimates

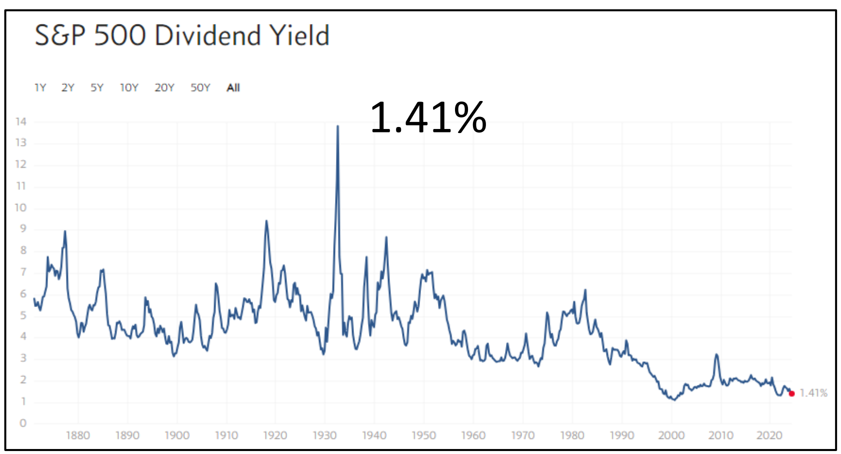
	Consensus	ALPHA INSIGHTS	Variance
2022a	$218	**$218**	0%
y/y % chg	*4.6%*	*4.6%*	
2023e	$220	**$220**	0%
y/y % chg	*1%*	*1%*	
2024e	$240	**$187**	-22%
y/y % chg	*9.1%*	*-15%*	
2025e	$273	**LMAO**	n/a
y/y % chg	*13.7%*	*n/a*	

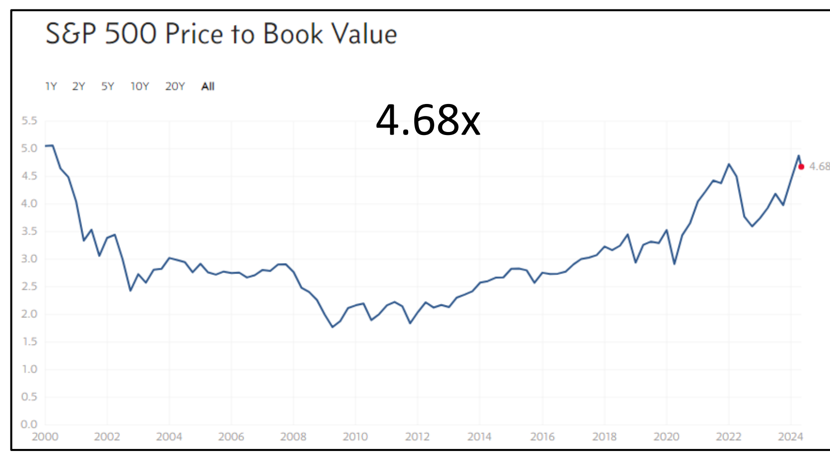
Source: *S&P Global, JWH Investment Partners*

Valuation Dashboard

Total U.S. Market Cap-to-GDP closed the month at **178.8%**, below the 2022 all-time record extreme of 209.4%, but well-above its prior cycle high of 142.9% recorded in March of 2000. In addition, the Shiller cyclically-adjusted Price-to-Earnings ratio closed the month at **33.4x** vs. its recent cycle high of 38.6x, and a historical average of 17.3x. The S&P 500's Dividend Yield continues to plumb its historical lows, at **1.41%,** while its Price-to-Sales ratio is **2.7x**, down from an all-time record high of 3.1x, but well-above the March 2000 cycle extreme of 2.1x. Price to Book-Value is now **4.7x**, slightly below the 2000 peak of 5.0x, but more than double the 2009 trough of 1.7x. **Across all measures, current S&P 500 valuations rank in the top decile of the historical record – projecting a forward 10-year average annual return of just 4.1% for the index.**



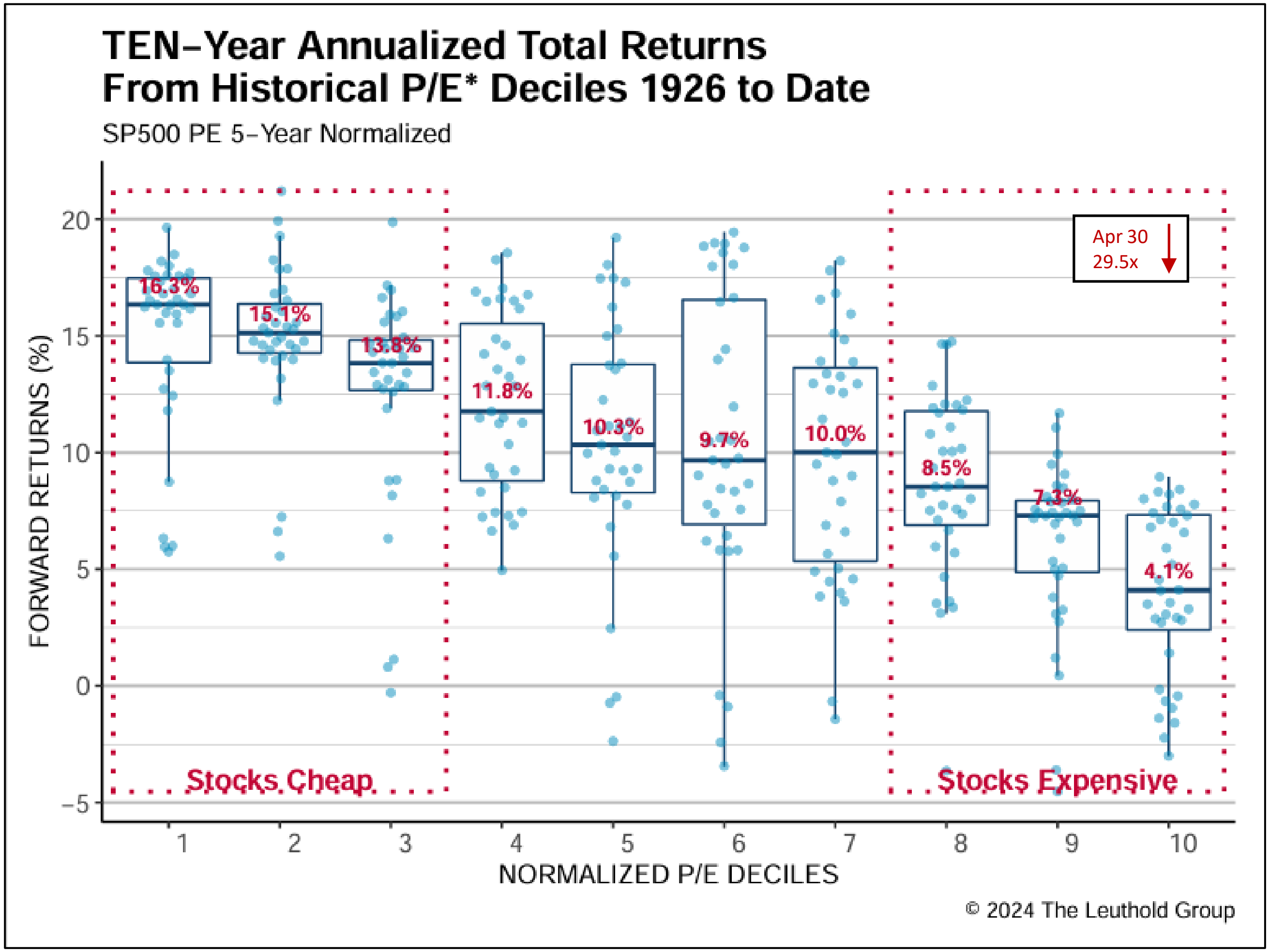




Source: *multpl.com*

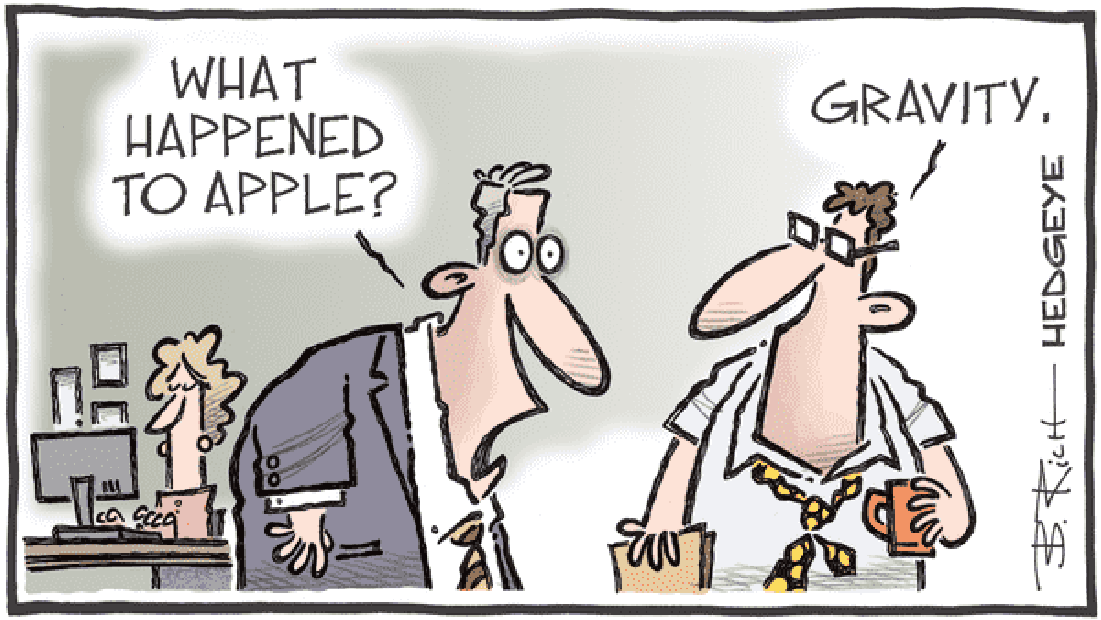
10-Year Annualized Forward Return

The chart below illustrates the latest calculation of from The Leuthold Group of 10-year annualized total returns from historical normalized P/E deciles from 1926 through 2023. The current normalized P/E as of April 30th is 29.5x – based upon Leuthold's 5-year EPS smoothing formula, putting the S&P 500's current valuation squarely in the 10th decile of the historical record. **The median forward 10-year annualized total return for the S&P 500 from the 10th decile is just +4.1% (in a range of +8% to -3%).** The 10th P/E decile has produced the worst median 10-year annualized forward return of all, coming in at about one-third the average of the other nine deciles.



Source: *leutholdgroup.com*

Back



Source: *Hedgeye.com*

Sector Scope

- ❑ S&P 500 Sector Leadership
  - ❑ Strategic Sector Technical Analysis
  - ❑ Tactical Sector Relative Strength Analysis

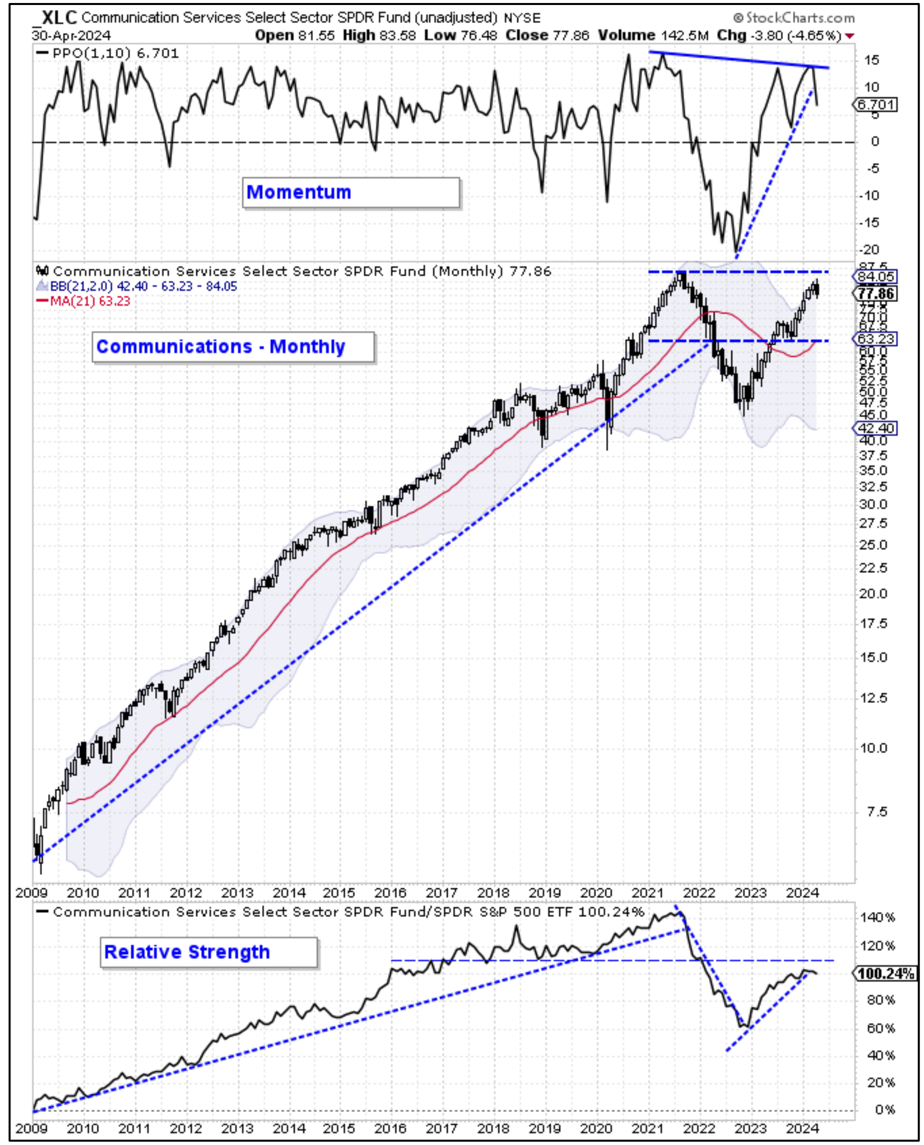
S&P 500 Sector
Communications
Neutral (+7.45% YTD)

Observations:

- ❑ **Price** closed April down 4.65%, after posting a new recovery high, but held well-above the 21-month MA.
- ❑ **Momentum** remains positive, but has turn down following a failed challenge of chart resistance.
- ❑ **Relative strength** vs. the S&P 500 has reversed higher and appears poised to challenge chart resistance.
- ❑ **Trend Bullish: Above $86**
- ❑ **Trend Bearish: Below $63**

Conclusions:

- ❑ Communications held at the **#1 rank** in our sector RS-Momentum work this month.
- ❑ **Market Weight.** The long-term structural trend has been broken, but the primary trend is now neutral. Robust price action attended by positive momentum and rising RS suggest that the years-long correction may be nearing an end. Maintaining our neutral technical rating. Only a new all-time high would warrant an upgrade to bullish. A monthly close below the 21-month MA would move our view back to bearish.
- ❑ **Target** = N/A



Source: *StockCharts.com*

Communications vs. S&P 500

Cap-Weight

Equal-Weight

Source: *StockCharts.com*

S&P 500 Sector Technology

Bullish (+2.14% YTD)

Observations:

- ❑ **Price** closed April down 5.76%, holding above key chart support, but failed to post new high.
- ❑ **Momentum** remains positive, but failed to confirm the new high in price, and has now breached trend support.
- ❑ **Relative strength** vs. the S&P 500 has breached ST trend support after posting a new high in December.
- ❑ **Trend Bullish: Above $181**
- ❑ **Trend Bearish: Below $163**

Conclusions:

- ❑ Technology held at the **#2 rank** in our sector RS-Momentum work this month.
- ❑ **Market Weight**. The long-term structural trend remains constructive, and the primary trend is also bullish. The recent all-time high, positive momentum, and leading RS suggest that the multi-year correction has ended, but a negative momentum divergence persists. Maintaining our bullish technical view for now. A monthly close below chart support at $181 would move our view back to neutral. A monthly close below the 21-month MA would warrant a downgrade to bearish.
- ❑ **Target** = $235

Source: StockCharts.com

TECHNOLOGY VS. S&P 500

Cap-Weight

Equal-Weight

***Source:** StockCharts.com*

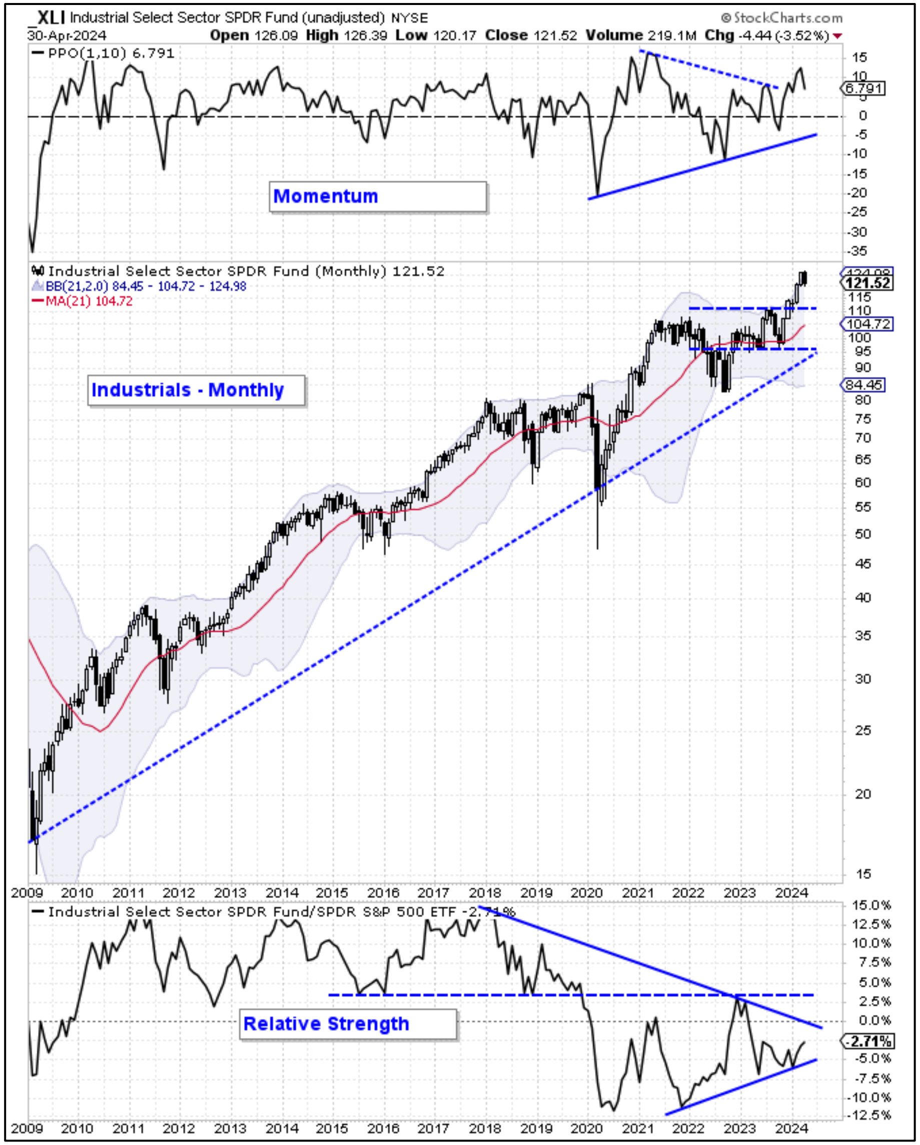
S&P 500 Sector Industrials
Bullish (+6.94% YTD)

Observations:

- **Price** closed April down 3.52%, after posting a new high, but held well-above the 21-month MA.
- **Momentum** remains positive after penetrating above trend resistance, but has turned down.
- **Relative strength** vs. the S&P 500 has been basing and now appears poised to challenge trend resistance.
- **Trend Bullish: Above $110**
- **Trend Bearish: Below $96**

Conclusions:

- Industrials advanced one position to the **#3 rank** in our RS-Momentum work this month.
- **Overweight.** The long-term structural trend remains constructive, and the primary trend is also bullish. The recent new all-time high attended by positive momentum suggests that the multi-year correction has ended. An improvement in RS would further support the bull case. Maintaining our bullish technical rating. A monthly close below initial support at $110 would move our view back to neutral. A monthly close below key chart support at $96 would warrant a downgrade to bearish.
- **Target = $132**



Source: *StockCharts.com*

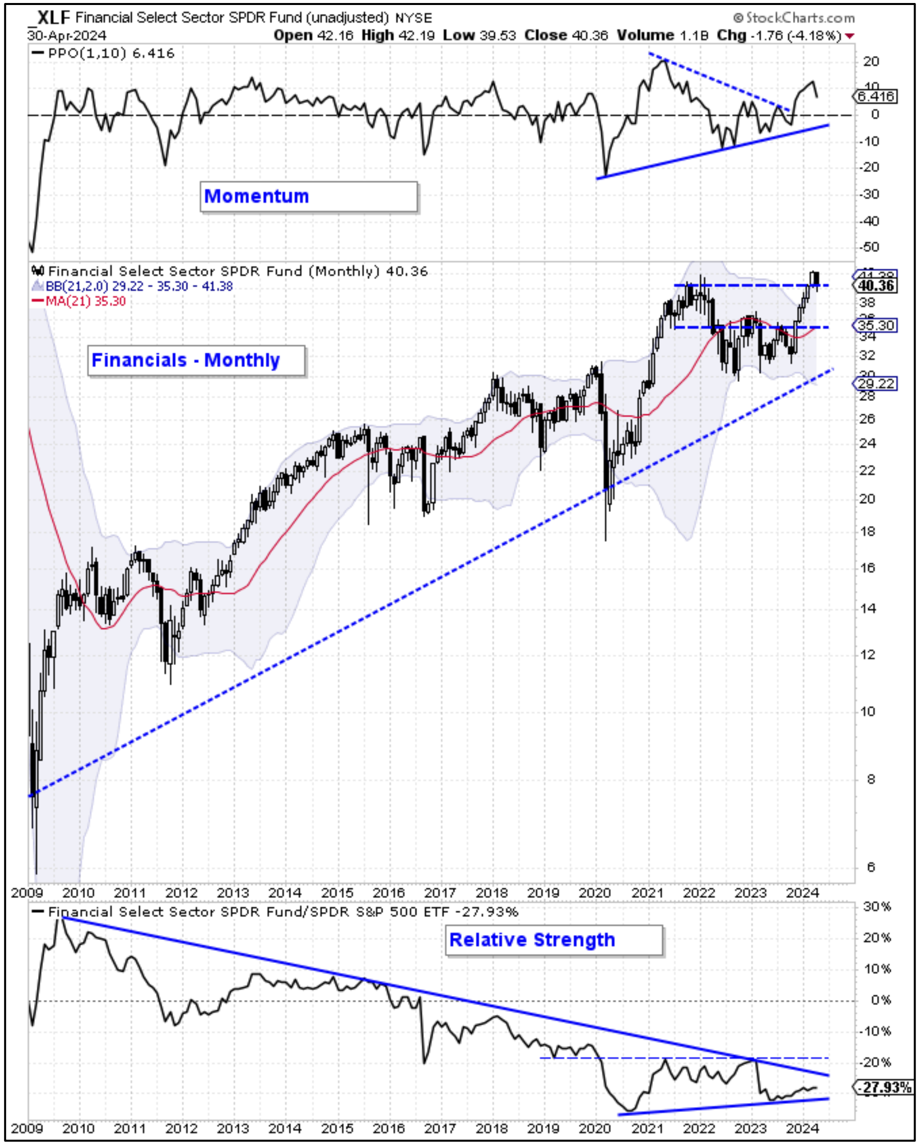
Industrials vs. S&P 500

Cap-Weight

Equal-Weight

Source: *StockCharts.com*

S&P 500 Sector
Financials
Bullish (+7.74% YTD)



Source: StockCharts.com

Observations:

- ❑ **Price** closed April down 4.18%, holding above key chart support, but failed to post new high.
- ❑ **Momentum** remains positive after penetrating above trend resistance to confirm price, but has turned down.
- ❑ **Relative strength** vs. the S&P 500 has been range bound for 2-years, and may be stabilizing near a higher low.
- ❑ **Trend Bullish: Above $40**
- ❑ **Trend Bearish: Below $35**

Conclusions:

- ❑ Financials slipped one position to the **#4 rank** in our RS-Momentum work this month.
- ❑ **Overweight.** The long-term structural uptrend remains constructive, and the primary trend has turned bullish. Upward trending price action and positive momentum suggest the years-long correction may be nearing an end. A recovery in RS would further support the bull case. Maintaining our bullish technical rating for now. A monthly close below initial support at $40 would move our view back to neutral. A monthly close below the 21-month MA would warrant a downgrade to bearish.
- ❑ **Target = $50**

Financials vs. S&P 500

Cap-Weight

Equal-Weight

Source: *StockCharts.com*

S&P 500 Sector Discretionary

Neutral (-1.57% YTD)

Observations:

- ❑ **Price** closed April down 4.50%, holding above key chart support, but failed to post new recovery high.
- ❑ **Momentum** remains positive, but failed at trend resistance and now appears poised to test trend support.
- ❑ **Relative strength** vs. the S&P 500 appears to have rolled over after establishing a series of lower highs.
- ❑ **Trend Bullish: Above $215**
- ❑ **Trend Bearish: Below $159**

Conclusions:

- ❑ Discretionary advanced one position to the **#5 rank** in our sector RS-Momentum work this month.
- ❑ **Underweight.** The long-term structural uptrend is constructive, but the primary trend is now neutral. Upward trending price action and positive momentum suggest the years-long correction may be nearing an end. A sustained recovery in RS would further support the bull case. Maintaining our neutral technical rating for now. Only a new all-time high would warrant an upgrade to bullish. A monthly close below the 21-month MA would move our view back to neutral.
- ❑ **Target** = N/A

Source: StockCharts.com

Discretionary vs. S&P 500

Cap-Weight

Equal-Weight

Source: *StockCharts.com*

S&P 500 Sector
Energy
Bullish (+12.45% YTD)

Observations:

- **Price** closed April down 0.94%, to post a new monthly recovery closing high.
- **Momentum** has turned decidedly positive after penetrating above trend resistance.
- **Relative strength** vs. the S&P 500 appears to have successfully tested trend support.
- **Trend Bullish: Above $92**
- **Trend Bearish: Below $72**

Conclusions:

- Energy fell one position to the **#6 rank** in our sector RS-Momentum work this month.
- **Overweight.** A recovery uptrend has resolved above a lateral consolidation pattern. Robust price action coupled with a recovery in momentum and stabilizing RS suggests that the years-long consolidation may be complete. Maintaining our bullish technical rating. A monthly close below the 21-month MA would move our technical view back to neutral. A monthly close below chart support at $72 would warrant a downgrade to bearish.
- **Target = $120**

Source: StockCharts.com

Energy vs. S&P 500

Cap-Weight

Equal-Weight

Source: *StockCharts.com*

S&P 500 Sector Materials
Bullish (+3.98% YTD)

Observations:

- **Price** closed April down 4.59% after posting a new high, but held well-above the 21-month MA.
- **Momentum** remains positive after penetrating above trend resistance, but has turned down.
- **Relative strength** vs. the S&P 500 is bouncing off a 22-year low established in January.
- **Trend Bullish: Above $91**
- **Trend Bearish: Below $75**

Conclusions:

- Materials held at the **#7 rank** in our sector RS-Momentum work this month.
- **Market Weight**. The long-term structural trend remains constructive, and the primary trend has turned bullish. Upward trending price action and positive momentum suggest the years-long correction had ended. A recovery in RS would further support the bull case. Maintaining our bullish technical rating. A monthly close below the 21-month MA would move our technical view back to neutral. A monthly close below key chart support at $75 would warrant a downgrade to bearish.
- **Target = $117**

Source: StockCharts.com

Materials vs. S&P 500

Cap-Weight

Equal-Weight

Source: *StockCharts.com*

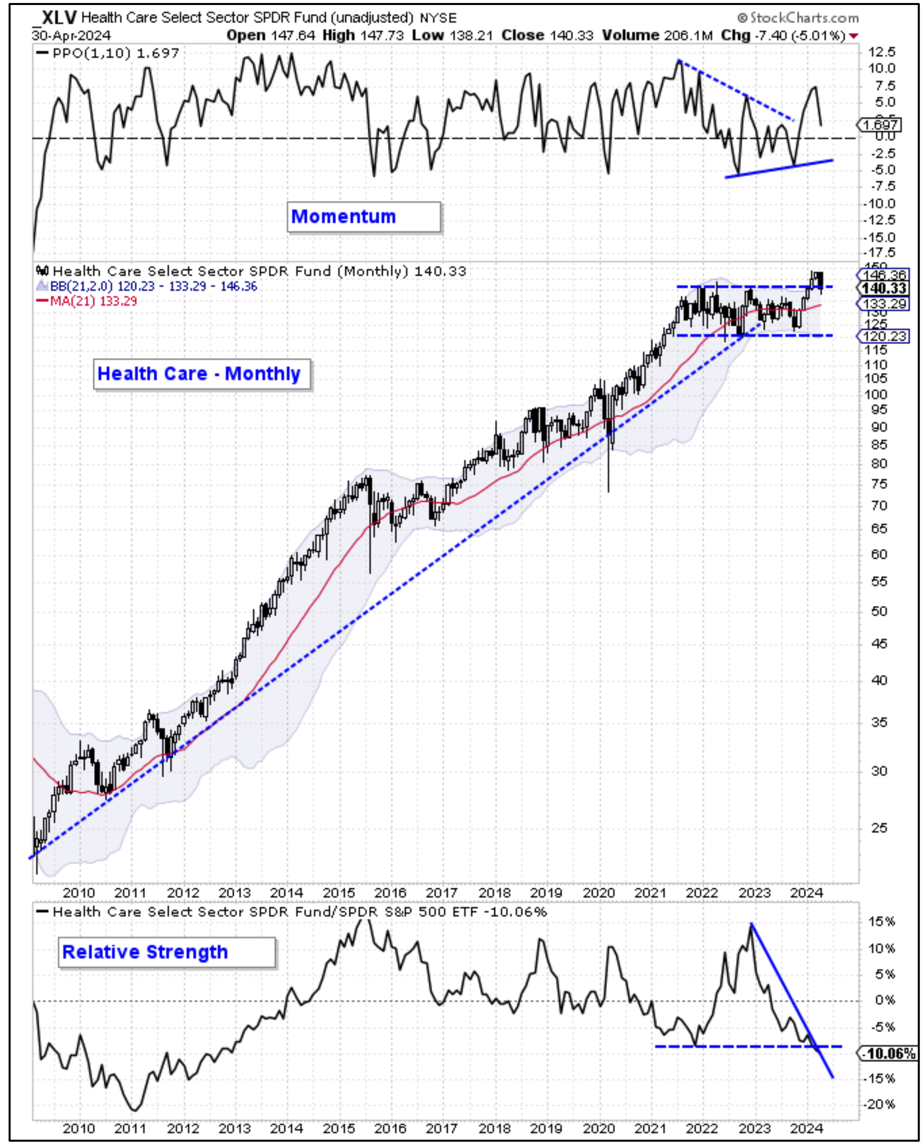
S&P 500 Sector
Health Care
Bullish (+3.27% YTD)

Observations:

- **Price** closed April down 5.01%, holding above the 21-month MA, but failed to post new high.
- **Momentum** remains positive after penetrating above trend resistance, but has since turned down sharply.
- **Relative strength** vs. the S&P 500 posted a new 12-year low in April.
- **Trend Bullish: Above $141**
- **Trend Bearish: Below $120**

Conclusions:

- Health Care held at the **#8 rank** in our sector RS-Momentum work this month.
- **Underweight.** The long-term structural trend remains constructive, and the primary trend is also bullish. The recent new all-time high attended by positive momentum suggests that the multi-year correction may have ended. An improvement in RS would further support the bull case. Maintaining our bullish technical rating for now. A monthly close below 21-month MA would move our view back to neutral. A monthly close below key chart support at $120 would warrant a downgrade to bearish.
- **Target** = $168



Source: StockCharts.com

Health Care vs. S&P 500

Cap-Weight

Equal-Weight

Source: *StockCharts.com*

S&P 500 Sector
Utilities
Neutral (+6.25% YTD)

Observations:

- ❑ **Price** closed April up 1.66%, further recovering above trend and chart resistance to reclaim the 21-month MA.
- ❑ **Momentum** remains positive after penetrating above trend resistance.
- ❑ **Relative strength** vs. the S&P 500 is attempting to turn up after posting an all-time record low in February.
- ❑ **Trend Bullish: Above $78**
- ❑ **Trend Bearish: Below $64**

Conclusions:

- ❑ **Upgrading to Neutral** from Bearish.
- ❑ Utilities advanced two positions to the **#9 rank** in our sector RS-Momentum work this month.
- ❑ **Market Weight.** The long-term structural trend has been broken, but the primary trend has turned neutral. Improving price action, positive momentum, and stabilizing RS all suggest a bearish regime may be behind us. Only a new all-time high would warrant an upgrade to bullish. A monthly close back below chart support at $64 would move our view back to bearish.
- ❑ **New Target = N/A**

Source: *StockCharts.com*

Utilities vs. S&P 500

Cap-Weight

Equal-Weight

Source: *StockCharts.com*

S&P 500 Sector Staples

Neutral (+5.59% YTD)

Observations:

- ❑ **Price** closed April down 1.13% to hold above the 21-month MA, but failed to post a new recovery high.
- ❑ **Momentum** remains positive after penetrating above trend resistance, but has turned down.
- ❑ **Relative strength** vs. the S&P 500 posted a new 23-year low in February.
- ❑ **Trend Bullish: Above $81**
- ❑ **Trend Bearish: Below $66**

Conclusions:

- ❑ Staples held at the **#10 rank** in our sector RS-Momentum work this month.
- ❑ **Market Weight.** The long-term structural trend has been broken, but the primary trend remains neutral. Choppy price action and momentum, along with weak RS suggest that the months-long consolidation may still require additional base building before it is complete. Maintaining our neutral technical rating for now. Only a new all-time high would move our opinion back to bullish. A monthly close below chart support at $66 would warrant a downgrade to bearish.
- ❑ **Target** = N/A

Source: StockCharts.com

Staples vs. S&P 500

Cap-Weight

Equal-Weight

Source: *StockCharts.com*

S&P 500 Sector
Real Estate
Neutral (-9.05% YTD)

Observations:

- **Price** closed April down 8.45% to breach the 21-month MA, but held above key chart support.
- **Momentum** has turned negative after a failed challenge of resistance, and is now poised to test trend support.
- **Relative strength** vs. the S&P 500 posted a new 15-year low in April.
- **Trend Bullish: Above $52**
- **Trend Bearish: Below $33**

Conclusions:

- Real Estate fell two positions to the **#11 rank** in our sector RS-Momentum work for the month.
- **Underweight.** The long-term structural trend has been broken, but the primary trend is now neutral. Weakening price action and negative momentum, coupled with a collapse in RS, suggests that the correction in price may not yet be complete. Maintaining our neutral technical rating for now. Only a new all-time high would warrant an upgrade to bullish. A monthly close below chart support at $33 would move our view back to bearish.
- **Target** = N/A

Source: StockCharts.com

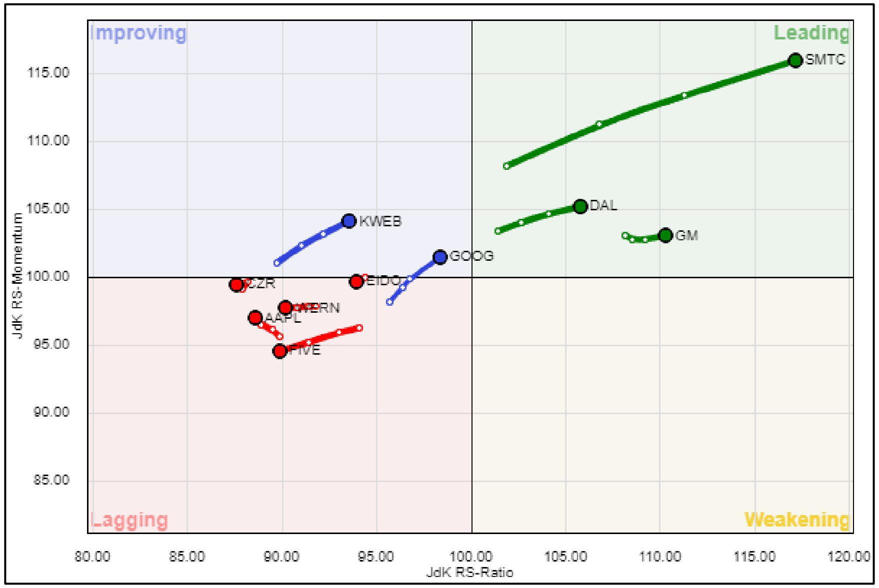
Real Estate vs. S&P 500

Cap-Weight

Equal-Weight

Source: *StockCharts.com*

Back



Source: *StockCharts.com*

Actionable Trade Ideas

Targeting a minimum 15% appreciation potential over 6-12 months with a 3:1 positive risk skew, ranked by RS-Momentum.

Top Bullish Trade Set-Ups:

- ❑ Semtech Corp (SMTC)
- ❑ General Motors (GM)
- ❑ Delta Air Lines (DAL)
- ❑ Alphabet (GOOG)
- ❑ CSI China Internet ETF (KWEB)

Top Bearish Trade Set-Ups:

- ❑ Caesar's Entertainment (CZR)
- ❑ Five Below (FIVE)
- ❑ Werner Enterprises (WERN)
- ❑ Apple (AAPL)
- ❑ MSCI Indonesia ETF (EIDO)

Semtech Corp

Reports 1Q24 on July 27th @ 4:15 PM ET

Source: StockCharts.com

General Motors

Reports 2Q24 on July 23rd @ 6:30 AM ET

Source: StockCharts.com

Delta Air Lines

Reports 2Q24 on July 10th @ 6:30 AM ET

Source: StockCharts.com

Alphabet

Reports 2Q24 on July 25th @ 4:10 PM ET

Source: StockCharts.com

CSI China Internet ETF

https://kraneshares.com/kweb/

Source: *StockCharts.com*

Caesar's Entertainment

Reports 1Q24 on April 30th @ 4:00 PM ET

Source: *StockCharts.com*

Five Below

Reports 1Q24 on June 19th @ 4:00 PM ET

Source: *StockCharts.com*

Werner Enterprises

Reports 1Q24 on April 30th @ 4:05 PM ET

Source: *StockCharts.com*

Apple

Reports 2Q24 on May 2nd @ 4:30 PM ET

Source: StockCharts.com

MSCI Indonesia ETF

https://www.ishares.com/us/products/239661/ishares-msci-indonesia-etf

Source: *StockCharts.com*

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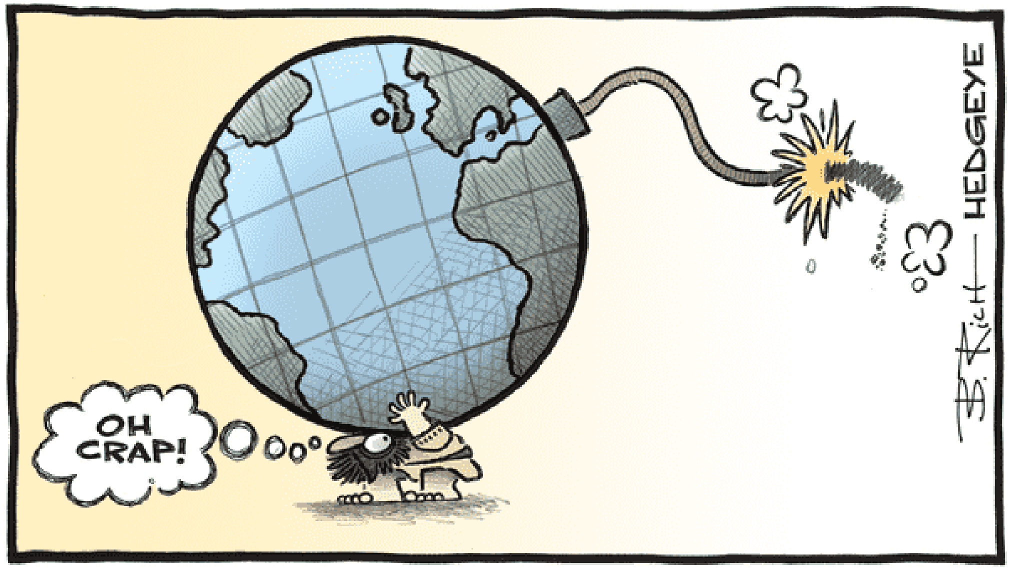

Source: *Hedgeye.com*

Macro Perspectives

- ❑ Foreign Equities: Developed Markets ex-US, Emerging Markets
- ❑ Commodities: CRB Index, Copper, Gold Bullion, WTI Crude Oil
- ❑ Currencies: U.S. Dollar Index, EURUSD, JPYUSD
- ❑ Rates: 10-Year U.S. Treasury Note

Foreign Equities
Developed Mkts ex-US
Neutral (+1.75% YTD)

Observations:

- ❑ **Price** closed April down 3.41% to hold above the 21-month MA, but failed to post a new recovery high.
- ❑ **Momentum** remains positive after penetrating above trend resistance, but appears poised to test trend support.
- ❑ **Relative strength** vs. the Total World Index has been in decline since 2008, and is testing its 2022 lows.
- ❑ **Trend Bullish: Above $53**
- ❑ **Trend Bearish: Below $36**

Conclusions:

- ❑ **Underweight.** The long-term structural trend has been tested, but the primary trend has turned neutral. Choppy price action and momentum, coupled with weak RS suggest that the multi-year consolidation process has additional work to do before it is complete. Maintaining our neutral technical rating. Only a new all-time high would merit an upgrade to bullish. A monthly close below chart support at $36 would warrant a downgrade to bearish.
- ❑ **Target** = N/A

Source: *StockCharts.com*

Foreign Equities
Emerging Markets
Neutral (+2.70% YTD)

Observations:

- ❑ **Price** closed April up 0.96% to post a new recovery high, but held well-below key chart resistance.
- ❑ **Momentum** remains positive after penetrating above trend resistance.
- ❑ **Relative strength** vs. the Developed Markets Index has been in decline since mid-2020 and posted a new all-time low in March.
- ❑ **Trend Bullish: Above $51**
- ❑ **Trend Bearish: Below $34**

Conclusions:

- ❑ **Underweight.** The long-term structural trend has been tested, while the primary trend is now neutral. Choppy price action, lackluster momentum, and extremely weak RS suggest that the multi-year consolidation process may require additional time before it is complete. Maintaining our neutral technical rating. A new all-time high would merit an upgrade to bullish. A monthly close below chart support at $34 would warrant a downgrade to bearish.
- ❑ **Target** = N/A

Source: *StockCharts.com*

Commodity
WTI Crude Oil
Neutral (+14.35% YTD)

Observations:

- **Price** closed April down 1.49% after reclaiming the 21-month MA to post a new recovery high.
- **Momentum** remains positive, following a bounce off of trend support, but a negative divergence persists.
- **Relative strength** vs. the other 18 commodities that make up the CRB index is trending lower after a failed challenge of trend resistance, but another may now be in the offing.
- **Trend Bullish: Above $130**
- **Trend Bearish: Below $65**

Conclusions:

- **Benchmark Weight.** A new secular uptrend has likely been established, but the primary trend is now neutral. Weak, choppy price action and momentum, coupled with lackluster RS suggest that the years-long consolidation process may require additional time before it is complete. Maintaining our neutral technical opinion for now. A new recovery high would move our view back to bullish. A monthly close below $65 would warrant a downgrade to bearish.
- **Target** = N/A

Source: *StockCharts.com*

Commodity
Copper
Neutral (+17.32% YTD)

Observations:

- ❑ **Price** closed April up 13.91%, to post a new recovery high, but held below Chart resistance.
- ❑ **Momentum** remains firmly positive and is trending higher after penetrating above resistance.
- ❑ **Relative strength** vs. the other 18 commodities that make up the CRB index reversed to penetrate above trend resistance after posting a 6-year low last June, and appears to be reversing off trend support post a higher high.
- ❑ **Trend Bullish: Above $5.04**
- ❑ **Trend Bearish: Below $3.32**

Conclusions:

- ❑ **Overweight.** The structural trend remains up, but the primary trend is neutral. Improving price action, surging momentum, and recovering RS suggest that the years-long consolidation may be nearing its end. Maintaining our neutral technical opinion for now. Only a new all-time high would move our view back to bullish. A monthly close below trend support at $3.32 would warrant a downgrade to bearish.
- ❑ **Target** = N/A

Source: *StockCharts.com*

Commodity
Silver Bullion
Bullish (+10.66% YTD)

Source: StockCharts.com

Observations:

- **Price** closed April up 6.98% to penetrate above trend resistance and post new recovery high.
- **Momentum** remains firmly positive and is trending higher after penetrating above trend resistance.
- **Relative strength** vs. the other 18 commodities that make up the CRB index arrested its 2-year decline and turned up to penetrate trend resistance, and appears poised to advance above chart resistance.
- **Trend Bullish: Above $29**
- **Trend Bearish: Below $18**

Conclusions:

- **Initiating Coverage with a Bullish Rating.**
- **Overweight.** A new structural uptrend has been established, and the primary trend has also turned bullish. The continued recovery in price and momentum, along with improving RS would suggest that the years-long consolidation is now complete. A monthly close below the 21-month MA would move our view back to neutral. A monthly close below chart support at $19 would warrant a downgrade to bearish.
- **Target** = $62

Commodity
Gold Bullion
Bullish (+11.15% YTD)

Observations:

- ❑ **Price** closed April up 2.88% to post new all-time and monthly closing highs.
- ❑ **Momentum** remains firmly positive and is trending higher after penetrating above trend resistance.
- ❑ **Relative strength** vs. the other 18 commodities that make up the CRB index arrested its 2-year decline and turned up to penetrate trend resistance, posting a new recovery high in April.
- ❑ **Trend Bullish: Above $2,009**
- ❑ **Trend Bearish: Below $1,640**

Conclusions:

- ❑ **Overweight.** A new structural uptrend has been established, and the primary trend has also turned bullish. The continued recovery in price and momentum, along with improving RS would suggest that the years-long consolidation is now complete. Maintaining our bullish technical rating. A monthly close below the 21-month MA would move our view back to neutral. A monthly close below chart support at $1,640 would warrant a downgrade to bearish.
- ❑ **Target** = $2,800

Source: *StockCharts.com*

Cryptocurrency
Bitcoin/US Dollar
Bullish (+51.75% YTD)

Observations:

- **Price** closed April down 14.98% to hold above chart support, but failed to post a new high.
- **Momentum** remains decidedly positive, and now appears poised to test trend support.
- **Relative strength** vs. the CRB index has exploded higher after penetrating trend resistance to stage an impressive bullish reversal, but has turned down.
- **Trend Bullish: Above $68,979**
- **Trend Bearish: Below $30,471**

Conclusions:

- **Benchmark Weight.** A new structural uptrend has been established, and the primary trend has turned bullish as well. Upward trending price action and strong momentum, along with accelerating RS suggest that the years-long consolidation is now complete. Maintaining our bullish technical rating. A monthly close below the 21-month MA would move our view back to neutral. A monthly close below chart support at $30,471 would warrant a downgrade to bearish.
- **Target = $130,000**

Source: StockCharts.com

Foreign Exchange
US Dollar Index
Bullish (+4.37% YTD)

Observations:

- **Price** closed April up 1.54%, to reclaim the 21-month MA. It appears likely that price made a fourth wave low last July. If so, then wave five up is now operative.
- **Momentum** remains positive and has now penetrated above trend support.
- **Trend Bullish: Above 99**
- **Trend Bearish: Below 94**

Conclusions:

- **Overweight.** The monthly recovery high back in September 2022 confirms the Elliott Wave pattern. By our count, there should be one more significant wave higher in the cards. The recovery above prior chart resistance supports this position. Maintaining our bullish technical opinion. A move below 99 would move our view to neutral. A monthly close below trend support at 94 would warrant a downgrade to bearish. We have eliminated coverage of the EURUSD cross as it is virtually the mirror image of the USD index.
- **Target** = 120

Source: StockCharts.com

Foreign Exchange
Yen/US Dollar
Bearish (-9.79% YTD)

Observations:

- ❑ **Price** closed April down 3.18% to breach key support after failing to reclaim the 21-month MA.
- ❑ **Momentum** remains negative following a failed challenge of trend resistance.
- ❑ **Trend Bullish: Above 0.99**
- ❑ **Trend Bearish: Below 0.78**

Conclusions:

- ❑ **Underweight.** Following the breach of chart support, the primary trend is now down. Downward trending price action and choppy momentum suggest that the years-long decline may still require additional time to reach its completion. Maintaining our bearish technical rating. A monthly close back above the 21-month MA would move our rating back to neutral. A monthly close above chart resistance at 0.80 would warrant an upgrade to Bullish.
- ❑ **Target** = 0.57

Source: StockCharts.com

Interest Rates
10-Year US Treasury Note
Bearish (-5.19% YTD)

Observations:

- **Price** closed April down 3.47%. A reversal of the presumed Fed pivot has challenged the consensus soft-landing narrative and caused a tempering of risk-tasking within the leveraged speculating community.
- **Momentum** remains negative after failing at trend resistance. A positive divergence is evident.
- **Fed** funds futures are now pricing in a 97.3% probability that the committee will remain on hold at the June 12th FOMC meeting. The Fed is now expected to reduce its balance sheet by just $60B of Treasury securities during the month of June.
- **Trend Bullish: Above 118**
- **Trend Bearish: Below 113**

Conclusions:

- **Underweight.** The bull market in bonds has come to an end, and a primary downtrend remains operative. Our yield target is 6.50% over the next 12-to-18-months. A monthly close above the 21-month MA would move our view to neutral. A monthly close above chart resistance at 118 would warrant an upgrade to bullish.
- **Target = 96**

Source: StockCharts.com

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Source: *Hedgeye.com*

Appendix

- ❑ Methodology
- ❑ Analyst Bio
- ❑ Disclaimer

Methodology & Ratings Explained

- The analysis contained herein utilizes data visualization techniques related to historical monthly and weekly price and volume statistics for publicly traded securities and popular indexes.
- The analysis employs an evidence-based approach to identify change and to evaluate the sustainability of long-term price trends for a variety of broad markets, their sub-sectors, and the constituents that comprise their indexes.
- The use of equal-weight index data to conduct this analysis is sometimes emphasized where appropriate in order to reduce the influence of more heavily weighted large-cap issues and their ability to skew the results of a given study.
- Relative strength (RS) measures the performance of one or more variables vs. a benchmark. Of all the factors that have ever been tested, RS has consistently demonstrated the greatest efficacy in terms of its predictive value. Our analysis considers both the RS factor and its 2nd derivative, the momentum of the RS factor over a specified time period.
- Observations are objective, based upon the body of knowledge that comprises the subject of technical analysis as defined by the CMT Association, but conclusions are subjective and are based upon the judgement and experience of this analyst utilizing monthly and weekly closing prices at the time of publication.
- Ratings reflect this analyst's opinion: Bullish / Bearish / Neutral. A Bullish rating indicates that the data support further improvement and merits a long position. A Bearish rating indicates that the data support further deterioration and merits a short position. A Neutral rating indicates that the data is currently inconclusive, and that no position is warranted.
- The use of plain language where possible has been given preference over industry jargon in order to simplify the explanation and interpretation of this analysis. A glossary of terms specific to the discipline of technical analysis can be found at: Technical Analysis Glossary of Terms
- Some readers may be unfamiliar with the use of Relative Rotation Graphs. A detailed discussion of this subject can be found at: Relative Rotation Graphs 101

Analyst Bio

- Jeffrey W. Huge, CMT has over 30 years of professional investment experience across global equity and debt capital markets. He is Founder & Chief Investment Officer at JWH Investment Partners, an independent investment research firm.
- Prior to launching his own firm, Mr. Huge was Managing Director of The Leuthold Group and Leuthold Management, where he co-managed a global macro hedge fund alongside respected contrarian-value investor Steve Leuthold.
- Previously, he held senior level positions in institutional sales, trading, and portfolio management at several top investment banks including Oppenheimer, Citigroup, and Merrill Lynch, where he specialized in equity markets, technical analysis, and global macro strategy.
- Mr. Huge earned his MBA in Finance from the University of St. Thomas, and holds a Bachelor's degree in Economics from the University of Minnesota. He completed advanced training and was certified in portfolio management under the instruction of Professor Emanuel Derman, Ph.D. at Columbia University's Center for Financial Engineering.
- Mr. Huge is a CMT Charterholder and has been a member of the CMT Association since 2005.

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