



Bullish on Cattle But not COW

The price of cattle futures has been bullish since troughing during the early days of the pandemic. As we share below, Live Cattle futures are up 10% this year and about 125% since early 2020. The price of live cattle just briefly eclipsed the late 2014 peak. One of the reasons for the bullish trading in cattle futures is that supplies are lean. Per the USDA, the inventory of cattle and calves has fallen to 89.3 million. Such is the lowest level since those at the prior peak and down about 10% from pre-pandemic inventories. Also helping cattle prices, the average weight of cows declined due to last winter's harsh weather conditions. Lastly, exports of U.S. beef have grown substantially since 2015. For more details, please click the following [LINK](#) from the Progressive Farmer.

We raise this topic to teach an essential lesson about commodity ETFs. While bullish cattle futures was a great trade, many investors cannot buy futures contracts. Most investors who are bullish on cattle or any commodity must find an ETF that can replicate the commodity. Such is often tricky. As we share below, the ETF that best mimics a position in cattle futures, COW, is flat on the year, while futures are up over 10%. Some ETFs, like GOLD which holds physical gold, track gold prices well. Most others that cannot store the physical commodity find it challenging to replicate the performance of a futures contract.

Live Cattle Futures



COW



Live Cattle Futures



COW



What To Watch Today

Earnings

- *No notable earnings releases*

Economy

| MONDAY, JUNE 12 | | | | | | |
|-----------------|-----|-------------------------------|--|---|---|------------------|
| 15:30 | USD | 3-Month Bill Auction | | - | - | - 5.22% |
| 15:30 | USD | 6-Month Bill Auction | | - | - | - 5.25% |
| 17:00 | USD | 10-Year Note Auction | | - | - | - 3.448% |
| 17:00 | USD | 3-Year Note Auction | | - | - | - 3.69% |
| 18:00 | USD | Monthly Budget Statement(May) | | - | - | \$-155.6B \$176B |
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Market Trading Update

Last week, we touched on the current bifurcation of this rather lopsided market and suggested sector rotations are likely. The chase for anything *?artificial intelligence?* related has heated up recently, and deviations from moving averages are now more extreme. Nonetheless, the market approached our target for this rally [that we discussed previously:](#)

*?The S&P 500 has scored seven weekly closes above its 40-week moving average, which is a positive sign. In addition, the market has cleared the 40-week DMA downtrend line from January and December 2022, suggesting a potential bullish turn in the trend. **Assuming supports hold, the next major resistance beyond the post-FOMC peak at 4195 is the August 2022 peak at 4325 (orange dashed line).** ? ? March 7th*

Here is the updated version through Friday?s close.

S&P 500 Index Vs. 200 & 40-WEEK Moving Averages

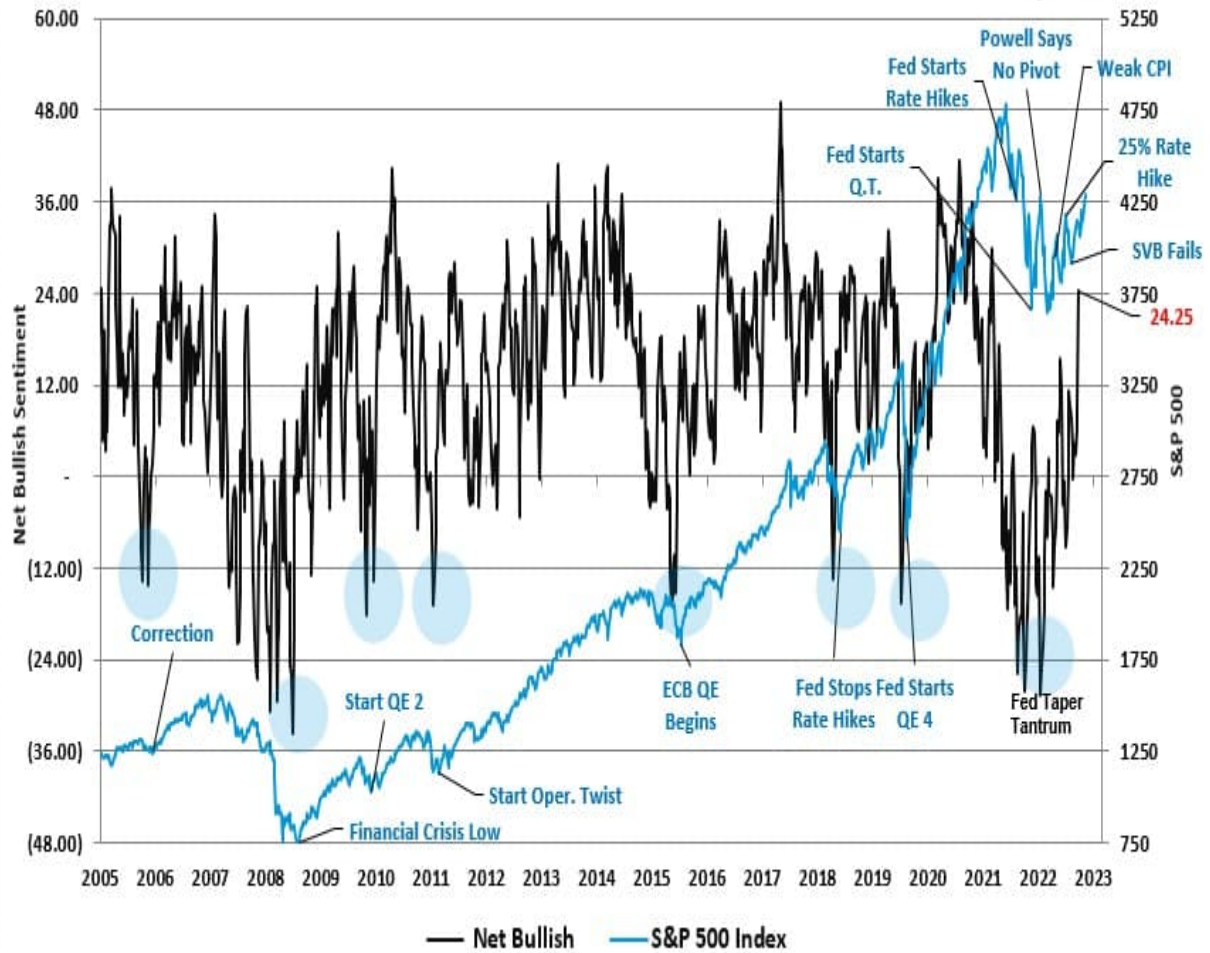


S&P 500 Index Vs. 200 & 40-WEEK Moving Averages

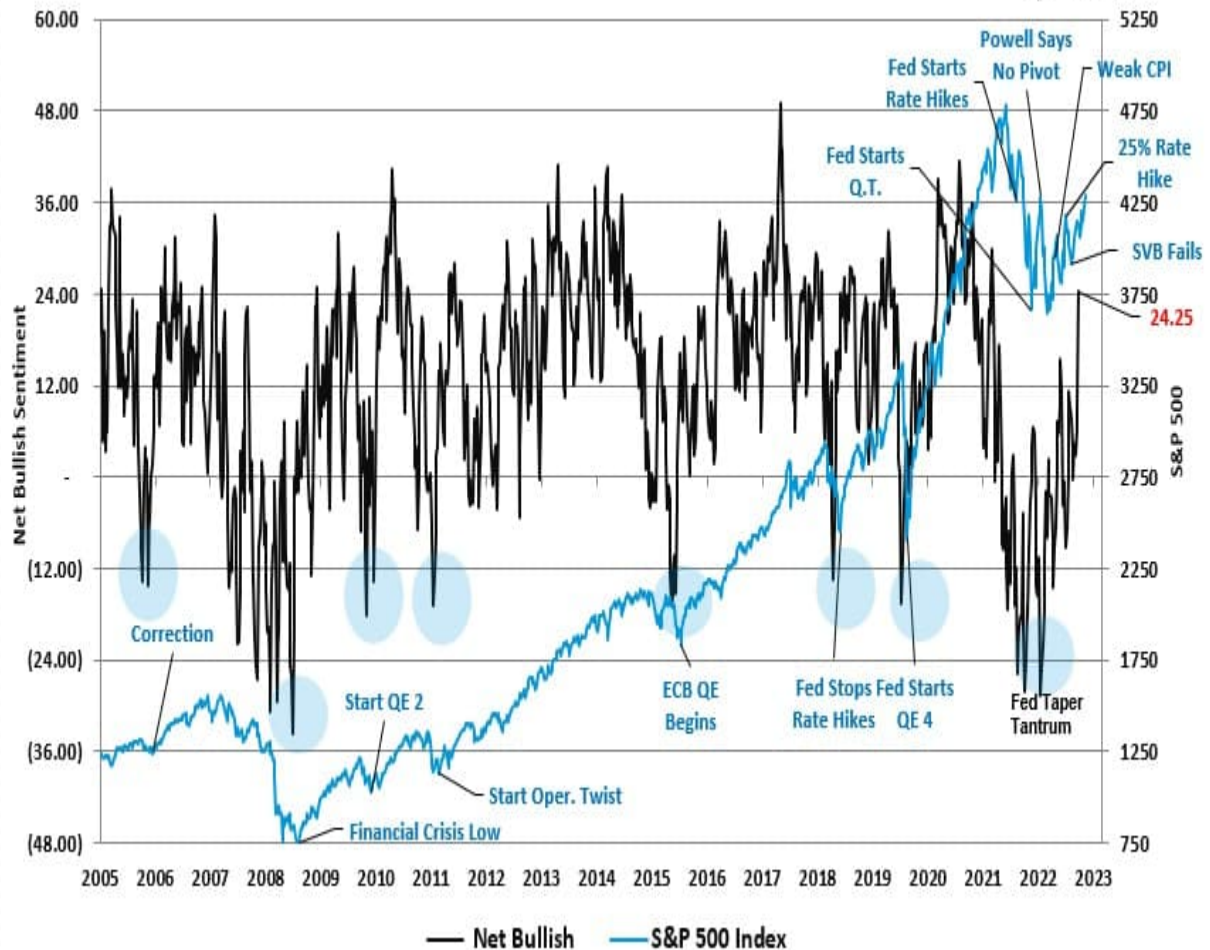


With the market pushing into that resistance at 4300 and the top of the rising trend channel from the October lows, a pause in the advance would be unsurprising. However, the rally has finally convinced the bears to come off the sidelines, with professional and retail investors getting substantially more *?bullish?* over the last two weeks.

Net Bullish Sentiment (Retail & Institutional Composite) vs S&P 500

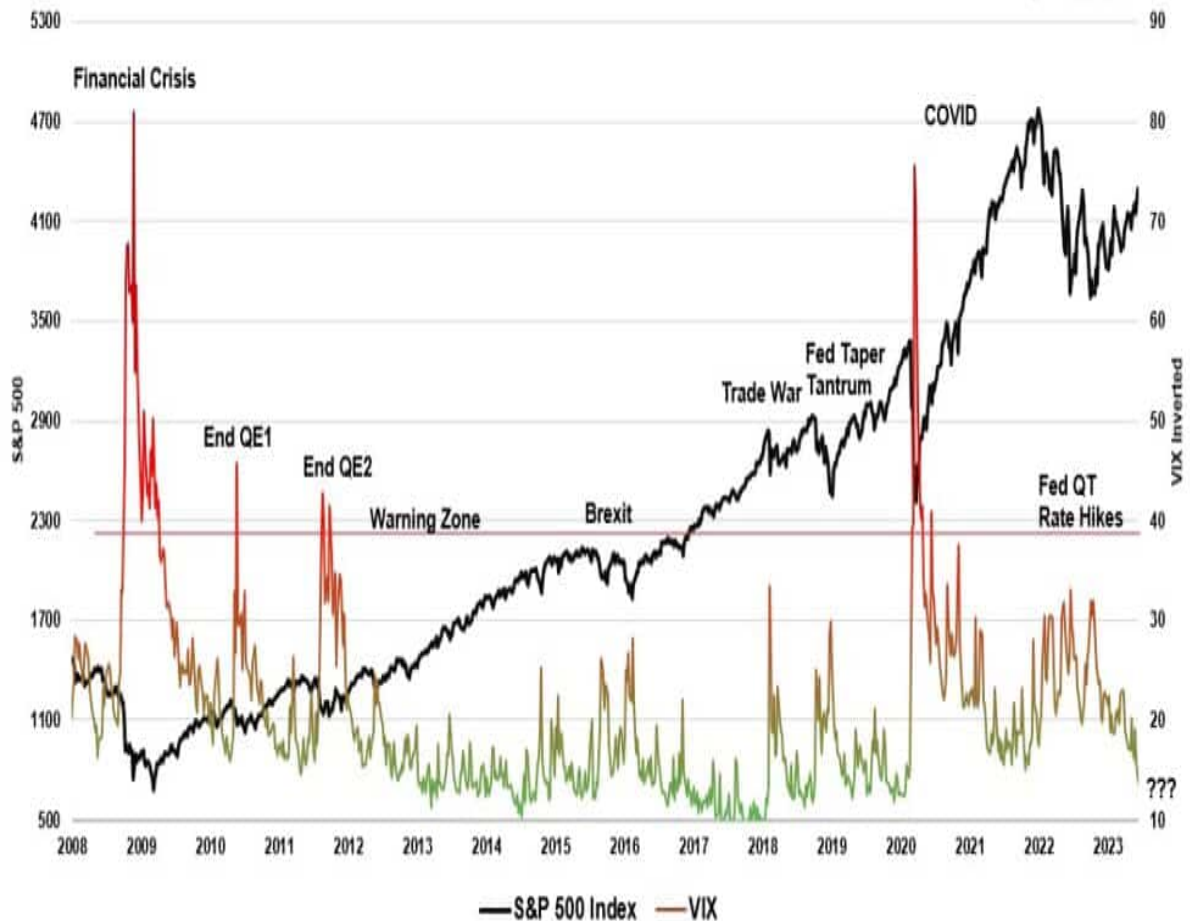


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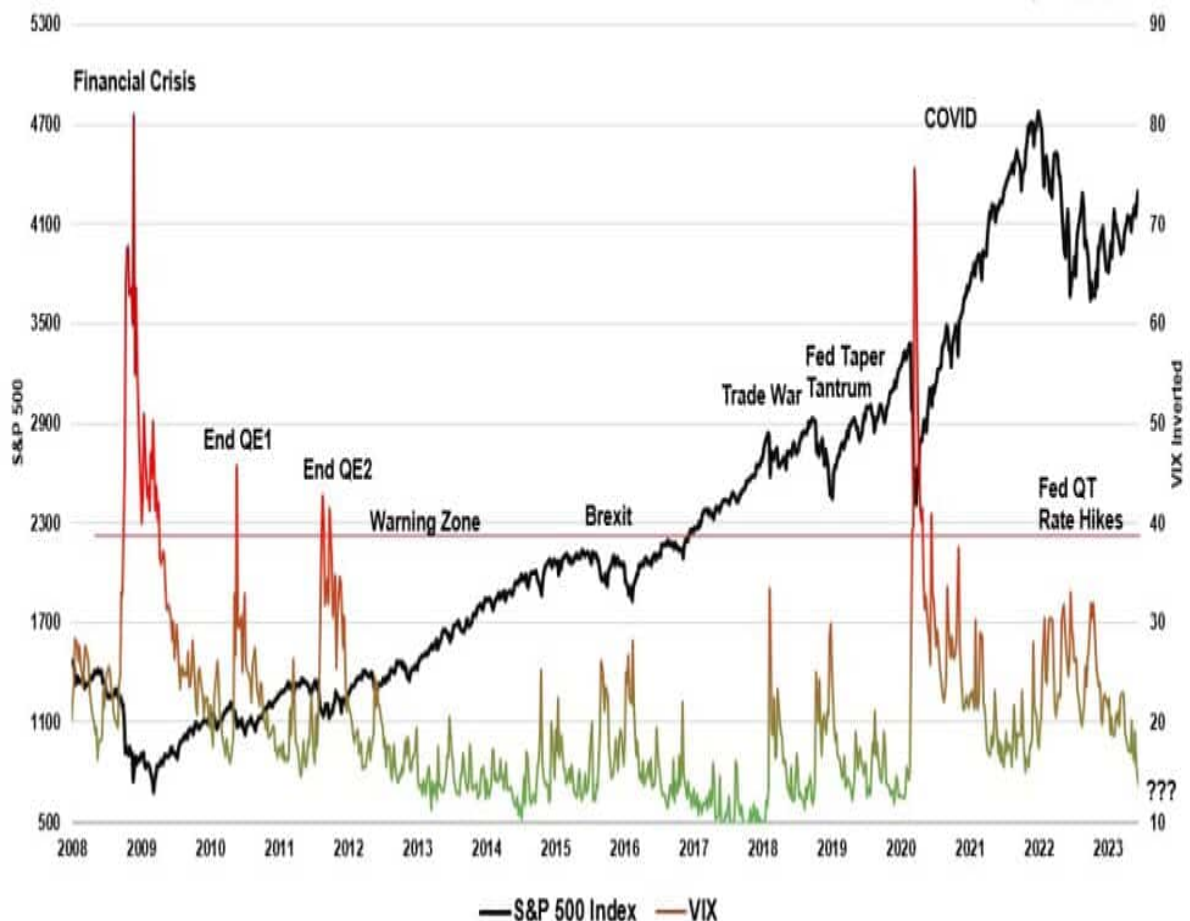


Such a jump in sentiment is unsurprising, given the sharp decline in volatility over the same period.

VIX VS. S&P 500



VIX VS. S&P 500



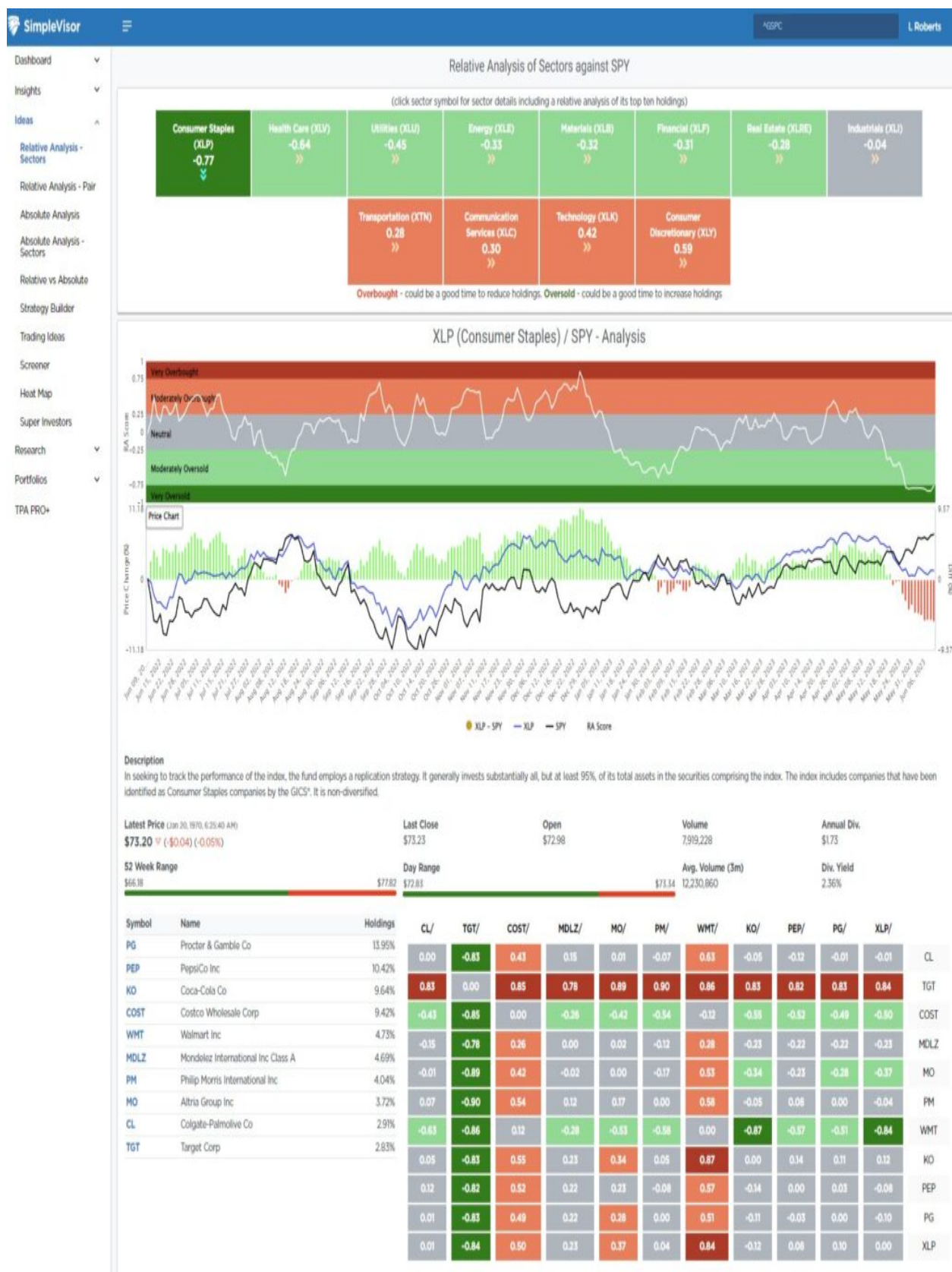
The consequence, of course, is a market that is pushing more extreme overbought levels than we have witnessed in quite some time. While it is possible for these extremes to last longer than logic would predict, it does suggest that without a correction to *reset* the markets, the upside will likely be limited near term.



TradingView



This need for corrective action will likely be the basis for market sector rotations we have discussed over the last few weeks. Look to take profits in grossly oversold conditions and look for opportunities in out-of-favor markets. For ideas, go to [SimpleVisor.com](https://www.SimpleVisor.com) and check out the **Sector Rotation Analysis** we provide under the **IDEAS** tab.



- Dashboard
- Insights
- Ideas
- Relative Analysis - Sectors
- Relative Analysis - Pair
- Absolute Analysis
- Absolute Analysis - Sectors
- Relative vs Absolute
- Strategy Builder
- Trading Ideas
- Screener
- Heat Map
- Super Investors
- Research
- Portfolios
- TPA PRO+

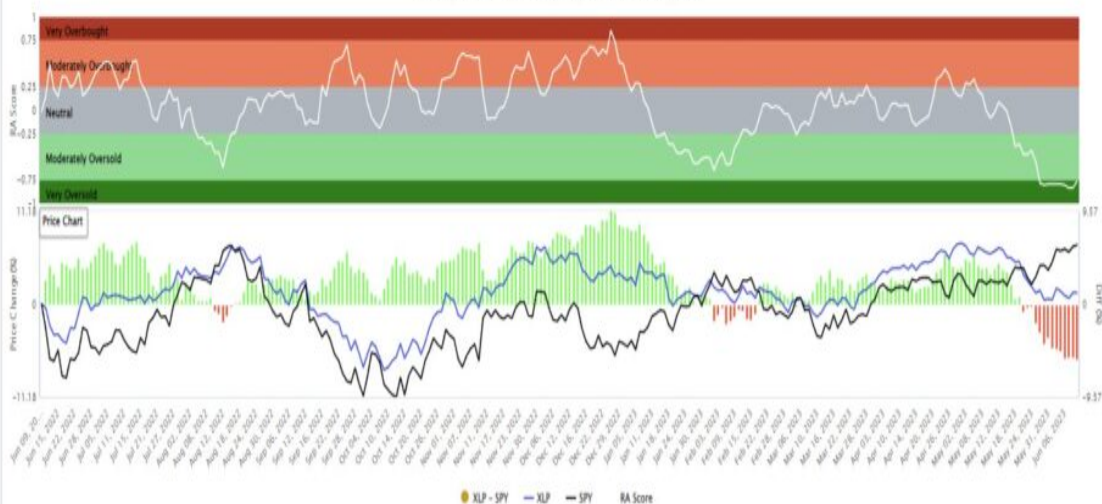
Relative Analysis of Sectors against SPY

(click sector symbol for sector details including a relative analysis of its top ten holdings)

| | | | | | | | |
|--------------------------------------|---------------------------------|-----------------------------------|---|-------------------------------|---|----------------------------------|---------------------------------|
| Consumer Staples (XLP) -0.77 » | Health Care (XHF) -0.64 » | Utilities (XLU) -0.45 » | Energy (XLE) -0.33 » | Materials (XLB) -0.32 » | Financial (XLF) -0.31 » | Real Estate (XLRE) -0.28 » | Industrials (XLI) -0.04 » |
| | | Transportation (XTN) 0.28 » | Communication Services (XLC) 0.30 » | Technology (XLK) 0.42 » | Consumer Discretionary (XLY) 0.59 » | | |

Overbought - could be a good time to reduce holdings. Oversold - could be a good time to increase holdings

XLP (Consumer Staples) / SPY - Analysis



Description

In seeking to track the performance of the index, the fund employs a replication strategy. It generally invests substantially all, but at least 95%, of its total assets in the securities comprising the index. The index includes companies that have been identified as Consumer Staples companies by the GICS®. It is non-diversified.

Latest Price (Jan 30, 1970, 6:25:40 AM)

\$73.20 ▼ (-\$0.04) (-0.05%)

Last Close

\$73.23

Open

\$72.98

Volume

7,919,228

Annual Div.

\$1.73

52 Week Range

\$66.18

Day Range

\$72.83

Avg. Volume (3m)

12,230,860

Div. Yield

2.36%

| Symbol | Name | Holdings | CL/ | TGT/ | COST/ | MDLZ/ | MO/ | PM/ | WMT/ | KO/ | PEP/ | PG/ | XLP/ | |
|--------|------------------------------------|----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| PG | Procter & Gamble Co | 13.95% | 0.00 | -0.83 | 0.43 | 0.15 | 0.01 | -0.07 | 0.63 | -0.05 | -0.12 | -0.01 | -0.01 | CL |
| PEP | PepsiCo Inc | 10.42% | 0.83 | 0.00 | 0.85 | 0.78 | 0.89 | 0.90 | 0.86 | 0.83 | 0.82 | 0.83 | 0.84 | TGT |
| KO | Coca-Cola Co | 9.64% | -0.43 | -0.85 | 0.00 | -0.26 | -0.42 | -0.54 | -0.12 | -0.55 | -0.52 | -0.49 | -0.50 | COST |
| COST | Costco Wholesale Corp | 9.42% | -0.15 | -0.78 | 0.26 | 0.00 | 0.02 | -0.12 | 0.28 | -0.23 | -0.22 | -0.22 | -0.23 | MDLZ |
| WMT | Walmart Inc | 4.73% | -0.01 | -0.89 | 0.42 | -0.02 | 0.00 | -0.17 | 0.53 | -0.34 | -0.23 | -0.28 | -0.37 | MO |
| MDLZ | Mondelēz International Inc Class A | 4.69% | 0.07 | -0.90 | 0.54 | 0.12 | 0.17 | 0.00 | 0.58 | -0.05 | 0.06 | 0.00 | -0.04 | PM |
| PM | Philip Morris International Inc | 4.04% | -0.63 | -0.86 | 0.12 | -0.28 | -0.53 | -0.58 | 0.00 | -0.87 | -0.57 | -0.51 | -0.84 | WMT |
| MO | Altria Group Inc | 3.72% | 0.05 | -0.83 | 0.55 | 0.23 | 0.34 | 0.05 | 0.87 | 0.00 | 0.14 | 0.11 | 0.12 | KO |
| CL | Colgate-Palmolive Co | 2.91% | 0.12 | -0.82 | 0.52 | 0.22 | 0.23 | -0.08 | 0.57 | -0.14 | 0.00 | 0.03 | -0.08 | PEP |
| TGT | Target Corp | 2.83% | 0.01 | -0.83 | 0.49 | 0.22 | 0.28 | 0.00 | 0.51 | -0.11 | -0.03 | 0.00 | -0.10 | PG |
| | | | 0.01 | -0.84 | 0.50 | 0.23 | 0.37 | 0.04 | 0.84 | -0.12 | 0.06 | 0.10 | 0.00 | XLP |



The Week Ahead

The Fed highlights this week as they conclude their FOMC policy meeting on Wednesday. Therefore, we will get updated on its policy stance via the meeting statement, its quarterly economic projections, and Powell's press conference. As we highlight below, the market implies a 22% chance they hike rates by 25bps but a roughly 50/50 chance the Fed will hike rates at the July or September meetings. The market is finally taking the *higher-for-longer* Fed narrative more seriously. However, they expect about 2.00% in rate cuts in 2024. If that comes to fruition, will it have been due to weaker economic activity or recession, or might it be because inflation is firmly back near the Fed's 2% target? That will be the million-dollar question later this year and next.

To help answer that question, the Fed will get CPI data on Tuesday and PPI on Wednesday. The monthly CPI rate is expected to be +0.3%, equating to 3.6% annualized inflation. The year-over-year rate is expected to fall from 5.5% to 5.4%. The market will focus more on the year-over-year rate, which is still too high for the Fed's liking, despite more recent data pointing to lower annualized inflation rates. PPI is much tamer than CPI, with expectations for a year-over-year rate of 2.1%. Following the Fed meeting, the Census Bureau will release retail sales on Thursday. The market expects a 0.5% increase. Following last week's jump in jobless claims, we will closely monitor Thursday's claims report.

The Treasury will continue to issue large amounts of debt. Highlighting the week will be the \$32 billion 10-year note auction on Monday and the \$18 billion 30-year bond auction on Tuesday.

| MEETING PROBABILITIES | | | | | | | | | | | | | |
|-----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| MEETING DATE | 250-275 | 275-300 | 300-325 | 325-350 | 350-375 | 375-400 | 400-425 | 425-450 | 450-475 | 475-500 | 500-525 | 525-550 | 550-575 |
| 6/14/2023 | | | | | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 78.2% | 21.8% | 0.0% |
| 7/26/2023 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 33.6% | 54.0% | 12.5% |
| 9/20/2023 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 3.4% | 35.6% | 49.8% | 11.2% |
| 11/1/2023 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 1.4% | 16.3% | 41.3% | 34.3% | 6.7% |
| 12/13/2023 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.7% | 9.1% | 29.3% | 37.7% | 20.0% | 3.2% |
| 1/31/2024 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.4% | 5.7% | 21.2% | 34.3% | 27.1% | 9.9% | 1.3% |
| 3/20/2024 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.3% | 4.3% | 17.0% | 30.8% | 29.0% | 14.6% | 3.6% | 0.3% |
| 5/1/2024 | 0.0% | 0.0% | 0.0% | 0.0% | 0.4% | 4.6% | 17.4% | 30.7% | 28.7% | 14.3% | 3.5% | 0.3% | 0.0% |
| 6/19/2024 | 0.0% | 0.0% | 0.0% | 0.2% | 2.9% | 12.1% | 25.2% | 29.5% | 20.2% | 8.0% | 1.7% | 0.1% | 0.0% |
| 7/31/2024 | 0.0% | 0.0% | 0.2% | 2.4% | 10.5% | 23.0% | 28.8% | 21.8% | 10.1% | 2.8% | 0.4% | 0.0% | 0.0% |
| 9/25/2024 | 0.0% | 0.2% | 1.9% | 8.6% | 20.0% | 27.4% | 23.5% | 12.9% | 4.5% | 1.0% | 0.1% | 0.0% | 0.0% |
| 11/6/2024 | 0.1% | 1.5% | 7.0% | 17.2% | 25.6% | 24.4% | 15.5% | 6.6% | 1.8% | 0.3% | 0.0% | 0.0% | 0.0% |

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Did Baron?s Just Jinx the Bull Market

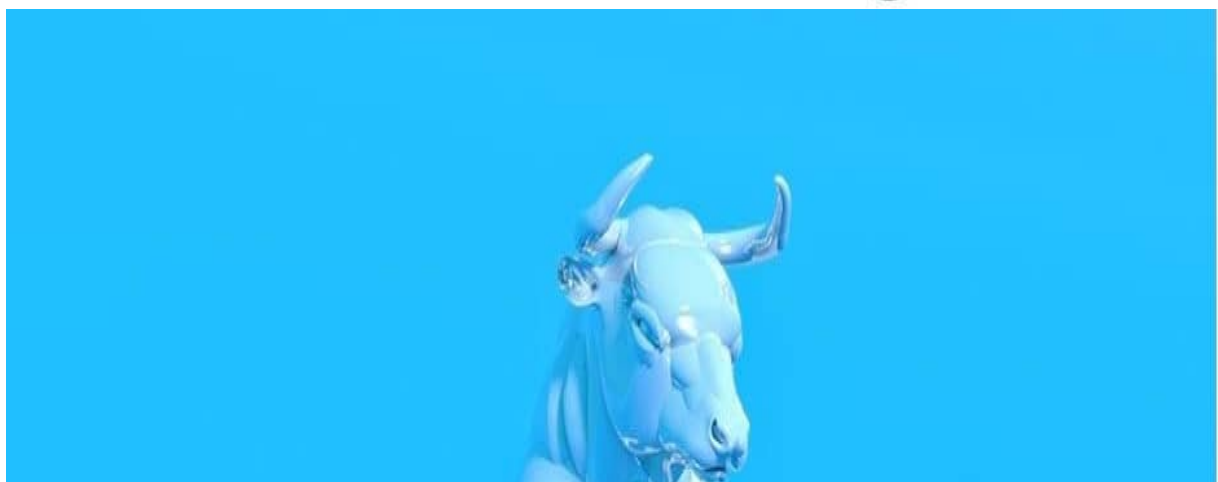
The latest cover of Baron?s magazine tells us not to fear the bull market and offers its readers reasons to be bullish. Despite no statistical evidence, bears often argue that covers like the Baron?s one shown below are warnings that a market top is near. Only history, not bullish or bearish pundits, will tell if Baron?s is correct or if they jinxed the market.



The higher the S&P 500 goes, the more likely it is that bearish investors will have to start buying, helping to push the market up even more. ILLUSTRATION BY
:DDIE GUY

COVER | MARKETS

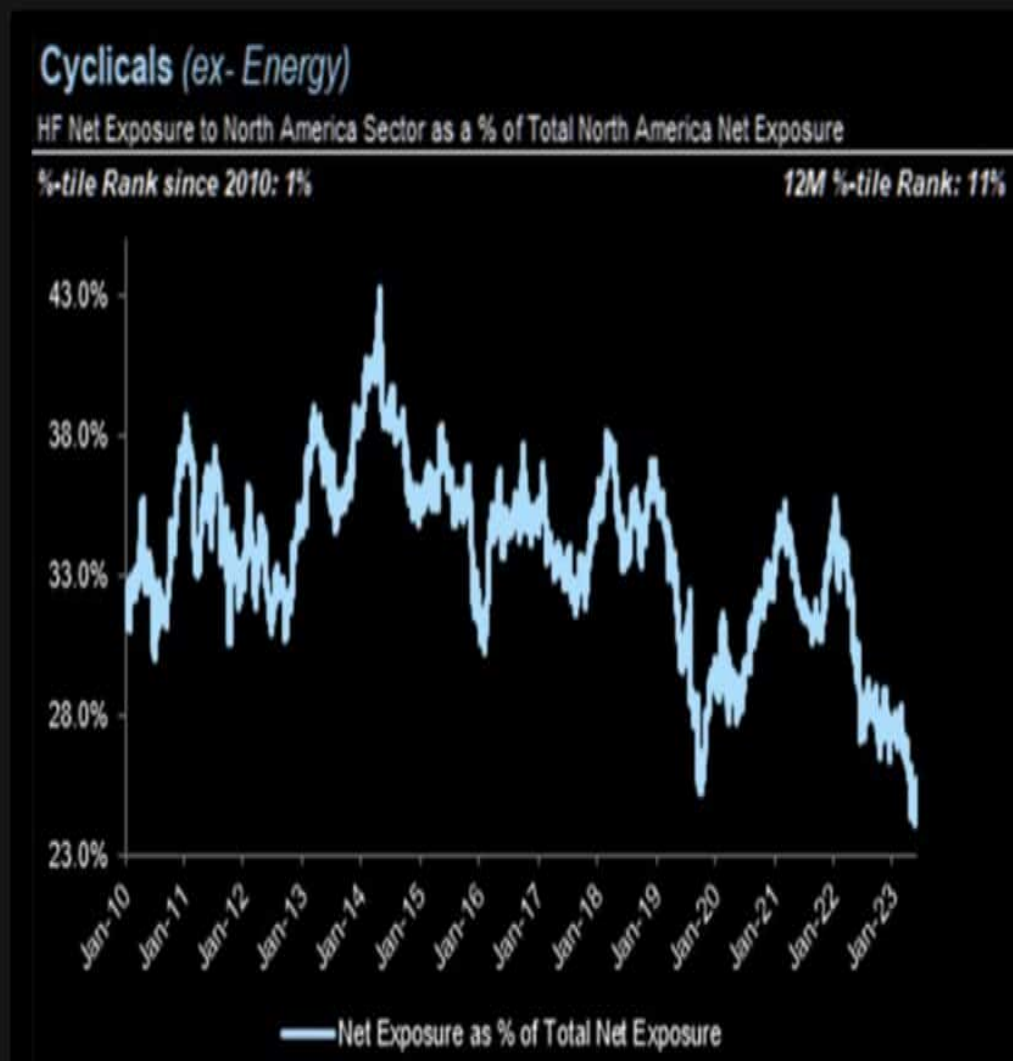
Don't Fear the Bull Market. Why Stocks Are Headed Higher.



Hedge Funds are Bearish the Economy

The graph below from Morgan Stanley shows hedge funds hold less cyclical stocks (excluding energy stocks) as a percentage of their collective portfolios since at least 2010. Cyclical stock prices tend to correlate well with the health of the economy. Cyclical stocks are companies with products in demand when the economy is strong but often see weaker sales when consumers and corporations spend less. Based on their positioning, hedge funds must be worried about a recession or slower economic growth in the future.

Cyclical net ownership is in the 1st % tile going back a decade.



Morgan Stanley

Cyclical net ownership is in the 1st % tile going back a decade.

Tweet of the Day



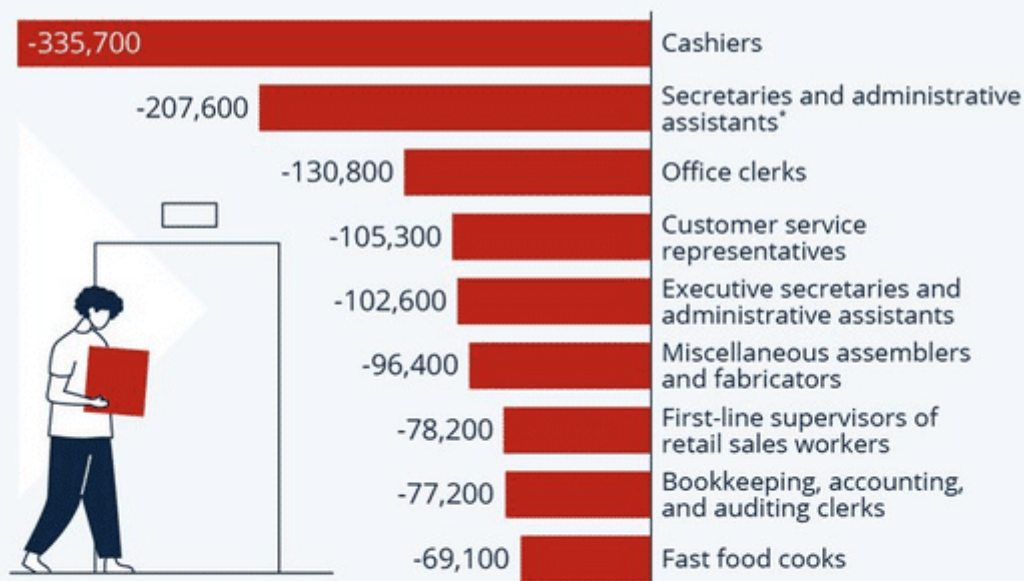
Mark W Guthner, CFA
@MGuthner

...

I you think customer service is bad now, give it a year.

Services No Longer Required: The Fastest-Shrinking Jobs

Projected change in employment in the U.S.
between 2021 and 2031, by occupation



* except legal, medical, and executive
Source: U.S. Bureau of Labor Statistics



statista



Mark W Guthner, CFA
@MGuthner

...

I you think customer service is bad now, give it a year.

Services No Longer Required: The Fastest-Shrinking Jobs

Projected change in employment in the U.S.
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