

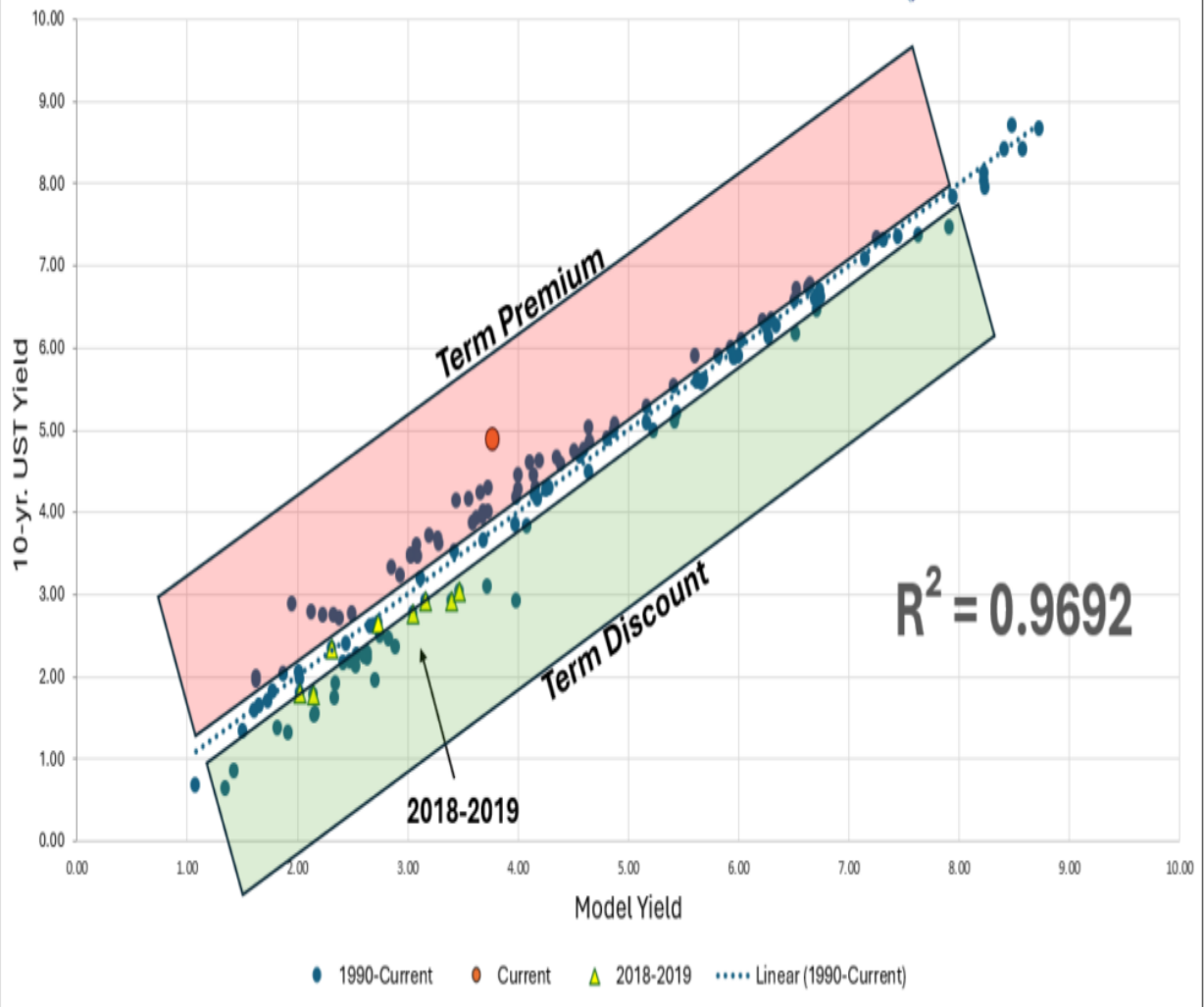
## Can Musk Be The Bond Whisperer

The media holds bond vigilantes out as do-gooders looking to force the government to be fiscally responsible. In reality, these vigilantes are traders who are short bonds, and use the fear of deficits and inflation to drive yields higher. While the term has been around for 25+ years, their recent success is unlike any past. As we wrote in [Why Are Bond Yields Rising?](#), and show below, the term premium, or additional yield on Treasury bonds, is the highest since at least 1990. The government must now pay almost 1% more than is typical due to the vigilantes fear-mongering. Elon Musk seems to understand how to save the government this 1%. As his statement below shows, Musk is trying to talk bond yields down.

*Elon Musk says there will be ?no inflation in 2026? if the Department of Government Efficiency cuts \$4 billion per day in US spending.*

Whether DOGE, led by Musk, can accomplish such a tall task is questionable. However, if the administration wants lower rates, as Trump has said repeatedly, the President and Elon Musk can not rely on Chairman Powell. Powell only manages the Fed Funds overnight rate. As we saw, the Fed lowered rates by 1%, and long-term interest rates rose by 1%. Secondly, if Powell wants to reduce rates significantly and quickly, his best bet would be to push the economy into a recession. We do not think that is what Trump has in mind. Therefore, to keep the economy humming and reduce interest rates, the term premium must be erased. The easiest way to do this is with lower interest rates on Treasury debt. Accordingly, the term premium will disappear if the bond vigilantes believe that Musk can cut deficits significantly.

Musk is talking the talk, which is an essential first step, but will he walk the walk?



## What To Watch Today

### Earnings

Monday Feb 3	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Palantir Technologies <small>PLTR.US</small>	0.11	0.08		778.17M	608.4M		\$173.69B	Q4	AM ★ 🔔
Idexx Laboratories <small>IDXX.US</small>	2.39	2.32		933.38M	901.6M		\$33.99B	Q4	AM ★ 🔔
Equity Residential <small>EQR.US</small>	0.41	0.82		755.24M	727.5M		\$26.31B	Q4	AM ★ 🔔
Tyson Foods <small>TSN.US</small>	0.90	0.69		13.5B	13.32B		\$20.19B	Q1	PM ★ 🔔
Clorox <small>CLX.US</small>	1.39	2.16		1.63B	1.99B		\$19.41B	Q2	PM ★ 🔔

### Economy

Monday February 03 2025			Actual	Previous	Consensus	Forecast		
08:45 AM	US	S&P Global Manufacturing PMI Final JAN		49.4	50.1	50.1		
09:00 AM	US	ISM Manufacturing PMI JAN		49.3		49.8		
09:00 AM	US	ISM Manufacturing Employment JAN		45.3		47		
09:00 AM	US	Construction Spending MoM DEC		0%		0.3%		
09:00 AM	US	ISM Manufacturing New Orders JAN		52.5		52.8		
09:00 AM	US	ISM Manufacturing Prices JAN		52.5		53		

## Market Trading Update

[Last week](#), we noted that with the first five days of January making a positive return, such set the *January Barometer* in motion. If you missed our previous discussions, we reviewed the historical precedents of [So goes January, so goes the month.](#) With Friday's close, the market turned in a positive month despite the [DeepSeek shock](#) to the markets this past Monday.

As noted by Stocktraders Almanac this past week, the January Barometer sets up a more bullish view for the year's outcome. To wit:

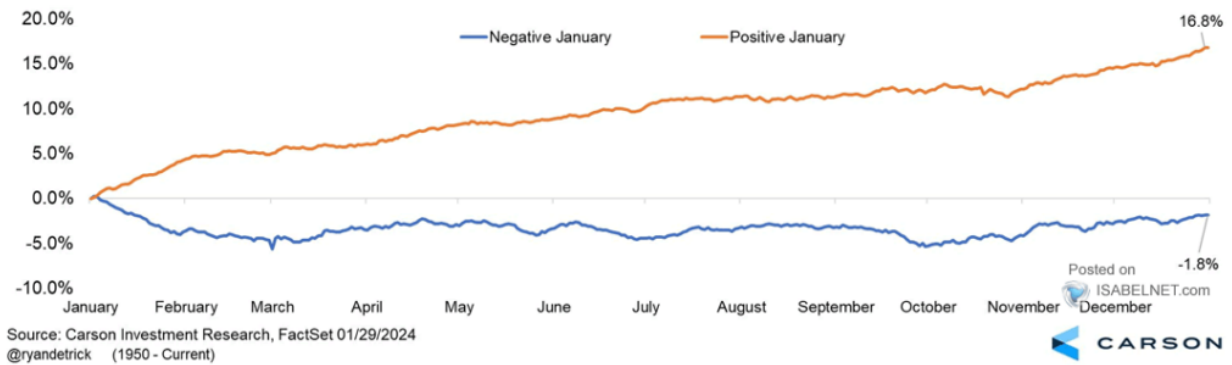
*A positive JB builds upon a positive First Five Days (FFD) and lessens the concerns that our Santa Claus Rally (SCR) failed to show. This will be just the fourth time since 1950 that our January Trifecta went down SCR, and up FFD and JB.*

*Focusing on just the positive JB alone has a solid track record. Up Januarys are followed by up years, 88.9% of the time (40/45 years), with an average S&P 500 gain of 17.0%. 14 of 18 of the last post-election years followed January's direction. When January is positive in post-election years, 8 of 9 full years were up with an average gain of 17.8%. 2001 was the exception. January was up 3.5%, but the full year was down 13.0%.*

*Let's remember that the January Barometer exists because of the Twentieth *Lame Duck* Amendment to the Constitution. The Amendment's passage in 1933 created the January Barometer. Since then, it has essentially been *As January goes, so goes the year.* January's direction has correctly forecasted the market's major trend in many subsequent years.*

## A Positive January Is A Good Thing For 2024

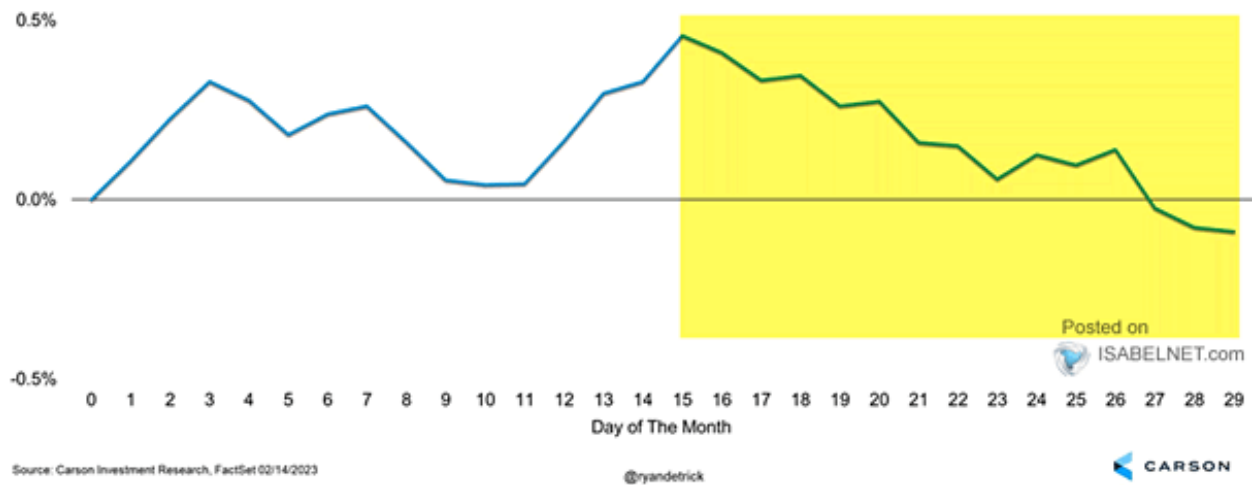
S&P 500 Performance For The Year Based On If January Is Higher Or Lower



However, while a positive January tends to coincide with a positive year return, February tends to be less optimistic. The first half of the month tends to carry on with January's momentum. However, weakness towards the month's latter half tends to be more common.

## Late February Can Be Tricky For The Bulls

S&P 500 Index Returns In February (1950 - 2023)



Despite Monday's concern about *DeepSeek*, the market quickly absorbed the data, and bulls regained their footing. The market remains on a MACD *buy signal*, which supports the current rally. However, the markets are back to being overbought in the short term. Furthermore, the market may temporarily struggle with all-time highs early next week. If the bulls can facilitate a breakout, it would coincide with early February strength. Such would align with market tendencies to reverse those overbought conditions later in the month.



## The Week Ahead

With the tame PCE prices data on Friday and the Fed meeting last Wednesday, the market will now focus on the March FOMC meeting. Powell said that while the labor market is balanced, the lack of new hiring worries him. Therefore, he believes the unemployment rate could rise quickly if layoffs increase. Accordingly, JOLTs on Tuesday, ADP on Wednesday, and the BLS data on Friday will enlighten the Fed and markets. The current expectation for Friday's BLS report is a gain of 205k jobs. ISM manufacturing and service sector surveys will also help assess current labor and inflation conditions.

The earnings calendar will slow this week. Palantir on Monday, Google and AMD on Tuesday, and Amazon and Eli Lilly on Thursday will be of note. Fed members will hit the speaking circuit this week as they emerge from their media blackout period.

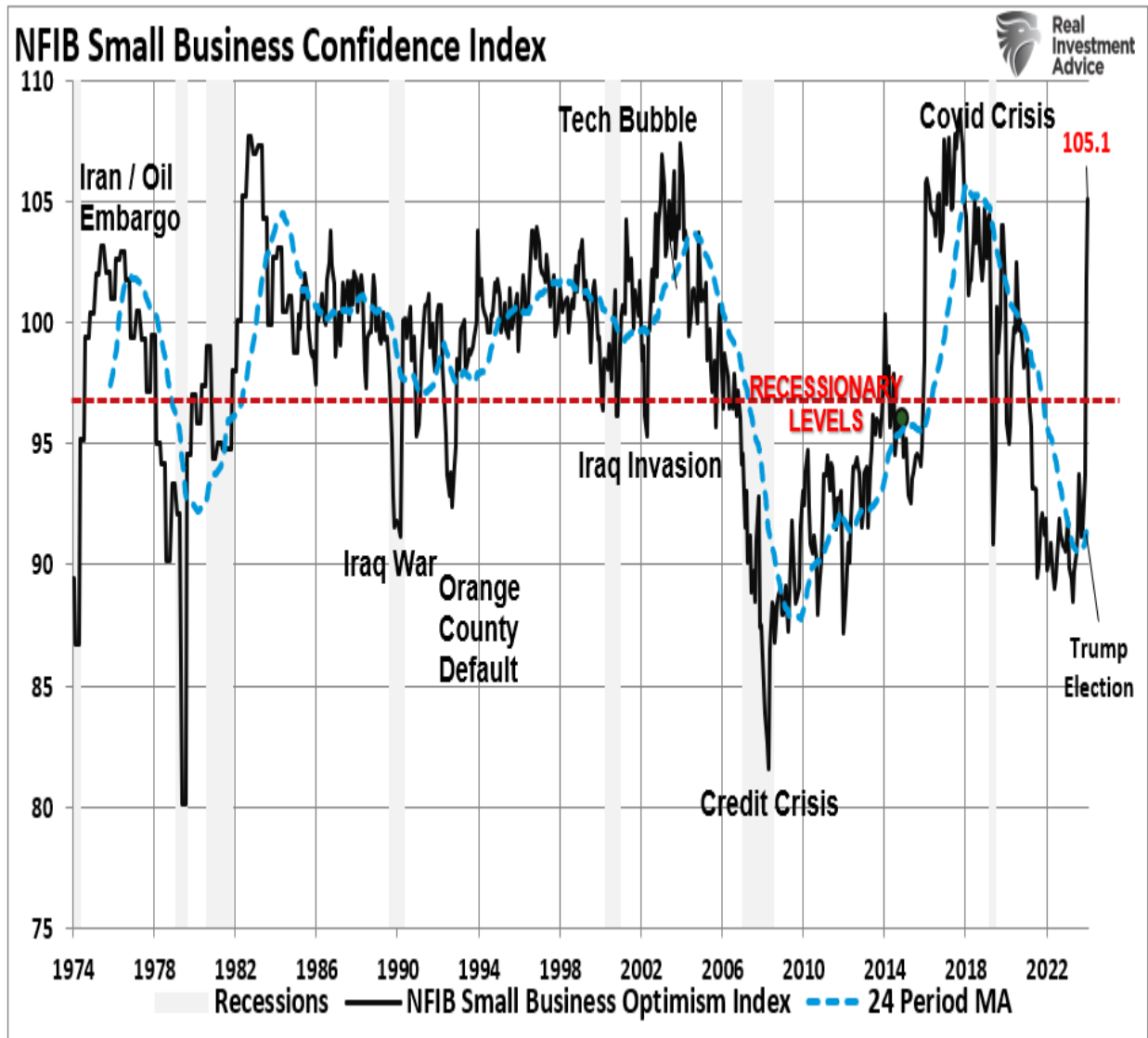
## Bullish Exuberance Returns As Trump Takes Office

Bullish exuberance is returning to the markets and the economy in a big way following the Presidential election. Such is particularly the case with recent executive orders signed by Trump, which fulfill Trump's promises to 'Make America Great Again.' Given that short-term market dynamics are driven primarily by sentiment, as investors, we can not dismiss the rapid turn in

optimism over the last few weeks. We addressed this point in this past weekend's [?Bull Bear Report,?](#) which I want to build on in today's commentary.

As discussed in that report, the NFIB confidence index has surged from some of the lowest readings on record for the past four years to some of the highest.

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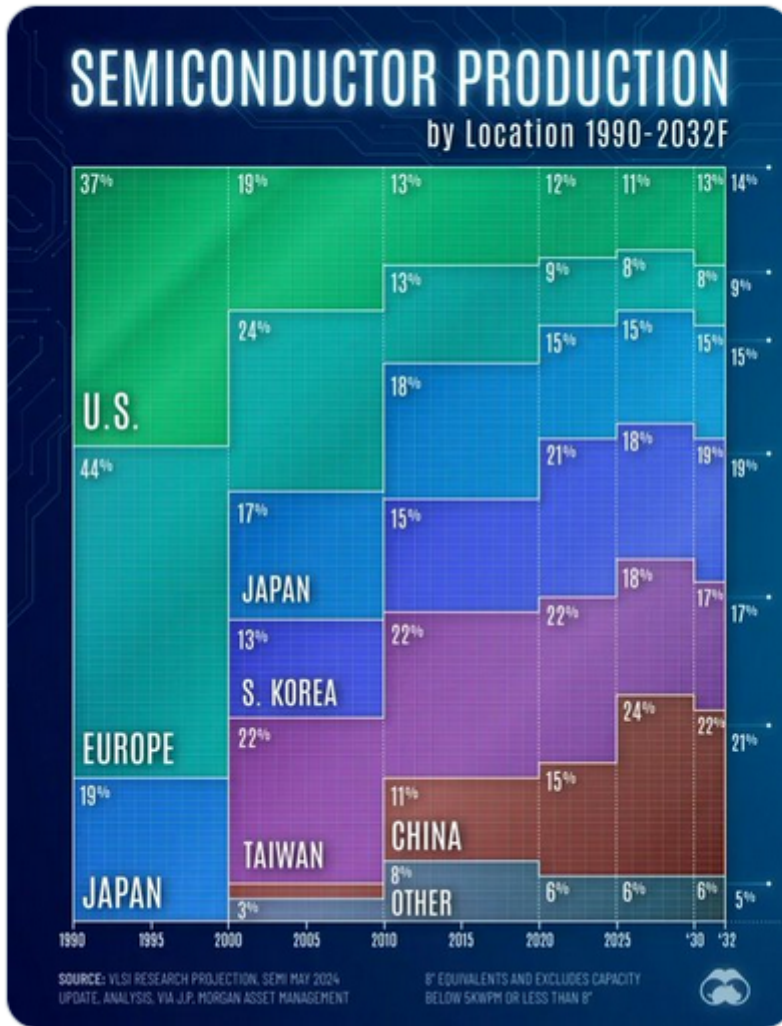
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the geography of global semiconductor industry, 1990 – 2032 (forecasted)



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