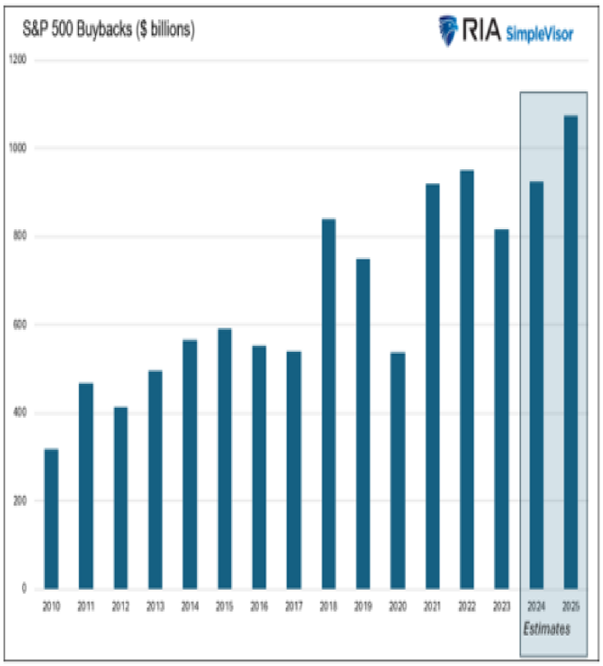
Corporate Executives Are Bullish And Bearish

Corporate executives are sending vastly different messages to their respective investors. Based on one indicator, they must be pretty bearish, yet another reeks of bullishness. Let?s take a look at corporate executives? Jekyll and Hyde-like behavior and try to make some sense of their actions and what they might portend for their companies.

As we share on the left, courtesy of Sentimentrader, corporate executives have made the fewest open-market buys of their stocks over the past six months in fifteen years. Based on their personal investment patterns, this historically low level of insider buying should serve as a warning. Yet, despite executives? seeming negativity, stock buybacks may set a record for 2024. Furthermore, per Goldman Sachs, they will likely set a record next year.

The obvious question is why there is such a divergence in their behaviors. The answer lies in their incentives. Corporate executives are primarily paid in stock and stock options. Therefore, buying back stock improves earnings per share and tends to increase stock prices. Even if they are gloomy about their company?s prospects and/or think it is overvalued, there is no personal loss to conducting buybacks. Conversely, purchasing shares for themselves makes little sense if they are negative on the share price outlook. If executives won?t put their money where their mouths are, should you?



What To Watch Today

Earnings

Monday Jan 6	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Commercial Metals CMC:US		0.82	1.63		1.86B	2B	$5.5B	Q1	PM

Economy

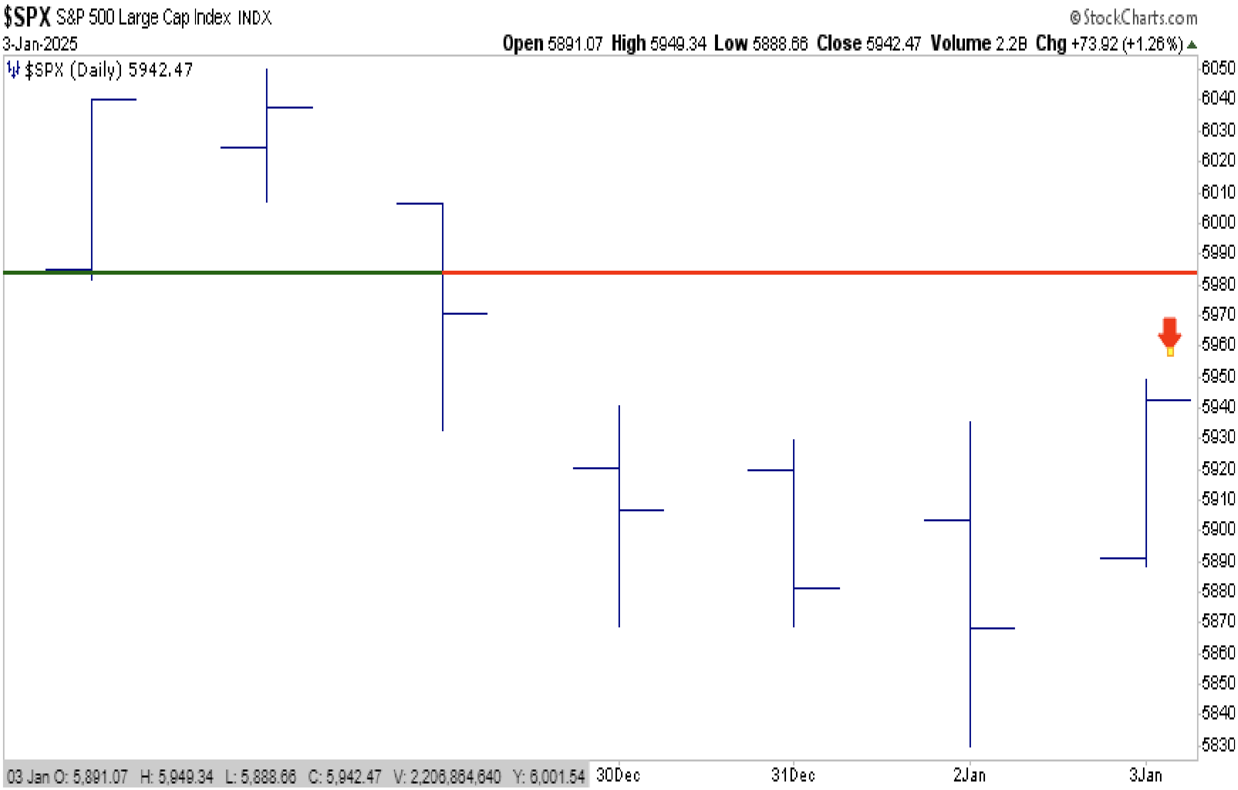
Monday January 06 2025			Actual	Previous	Consensus	Forecast
08:15 AM	US	Fed Cook Speech				
08:45 AM	US	S&P Global Composite PMI Final DEC		54.9	56.6	53
08:45 AM	US	S&P Global Services PMI Final DEC		56.1	58.5	58.5
09:00 AM	US	Factory Orders MoM NOV		0.2%	-0.3%	0.3%
09:00 AM	US	Factory Orders ex Transportation NOV		0.1%		0.2%

Market Trading Update

Last week,&#2013266080;we discussed&#2013266080;how it seemed as if Santa arrived on Christmas Eve, pushing the markets back above the important 50-DMA. However, by the end of the year, it seemed investors were naughty this year and received a&#2013266080;*?lump of coal,?* &#2013266080;with markets selling off back toward recent lows. One important note was that momentum and relative strength remained weak, keeping selling pressure intact.

There is no way to&#2013266080;sugarcoat the market?s poor performance. While December started with a bang, it ended with a whimper, with a long stretch of daily losses into year-end. Now, 2025 is opening with a whimper. Small caps fell apart after attempting to&#2013266080;*?make a comeback,?*&#2013266080;and overall market breadth declined. However, with the markets now oversold, we should expect a rally heading into the Presidential inauguration, which likely started on Friday.

Despite Friday?s impressive reflexive rally, the market fell about 0.5% short of rallying enough to save the&#2013266080;*?Santa Rally.?*



However, although the&#2013266080;*?Santa Rally?*&#2013266080;failed to materialize, bullish hopes for 2025 are not yet lost.

> *?Since 1950, when all three January indicators (The Santa Claus Rally (SCR), First Five Days (FFD) and the full-month January Barometer (JB)) are up, the S&P 500 was up 90.6% of the time (29 out of 32 years) with an average gain of 17.7%. When one or more of the Trifecta is down, in this case, the SCR, the year is up 59.5% of the time (25 of 42) with a paltry average gain of 2.9%.?&#2013266080;?&#2013266080;*
> *Stocktraders Almanac*

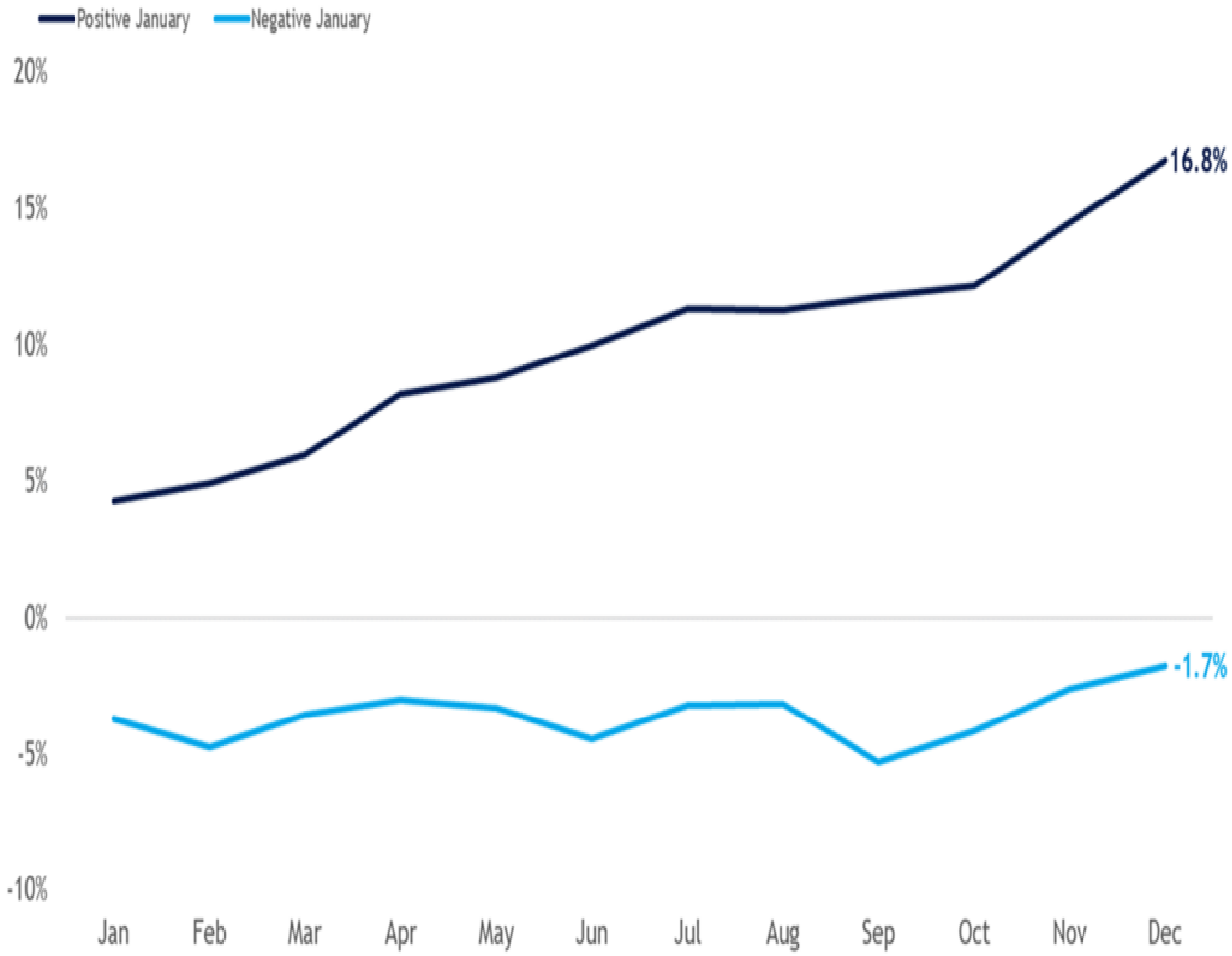
While the lack of a Santa rally is disappointing, as noted by Stocktraders Almanac:

> *?Of the 16 down SCRs since 1950,&#2013266080;**11 years have been up and 5 down, but the average gain is a tepid 6.1%.**?*

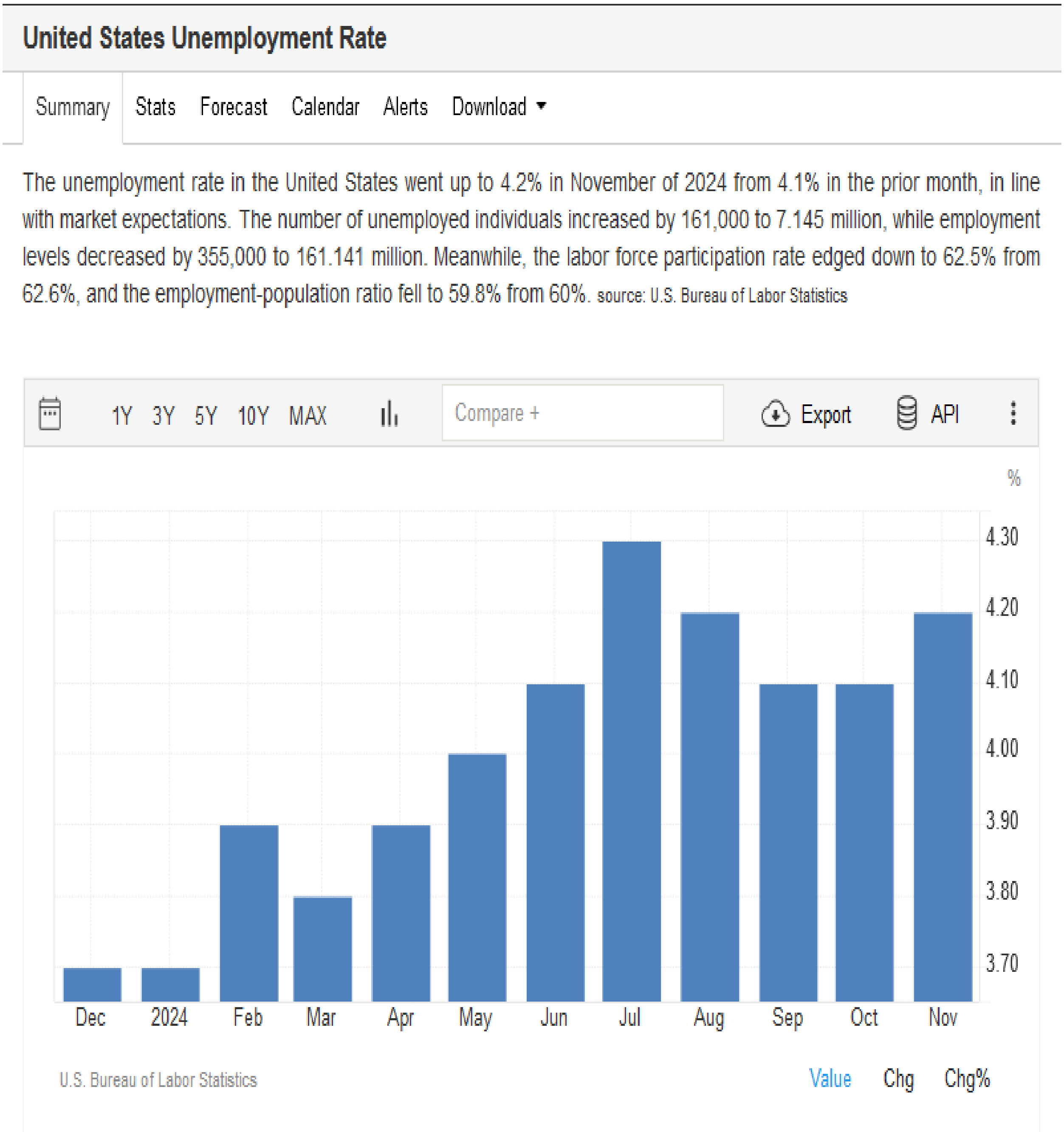
S&P 500 January Indicator Trifecta — Down SCR

New Year	SCR	FFD	JB	Feb	Last 11 Mon	Full Year
1956	– 0.9%	– 2.1%	– 3.6%	3.5%	6.5%	2.6%
1967	– 1.4%	3.1%	7.8%	0.2%	11.4%	20.1%
1969	– 1.2%	– 2.9%	– 0.8%	– 4.7%	– 10.6%	– 11.4%
1978	– 0.3%	– 4.7%	– 6.2%	– 2.5%	7.7%	1.1%
1980	– 2.2%	0.9%	5.8%	– 0.4%	18.9%	25.8%
1982	– 1.8%	– 2.4%	– 1.8%	– 6.1%	16.8%	14.8%
1985	– 0.6%	– 1.9%	7.4%	0.9%	17.6%	26.3%
1991	– 3.0%	– 4.6%	4.2%	6.7%	21.3%	26.3%
1993	– 1.1%	– 1.5%	0.7%	1.0%	6.3%	7.1%
1994	– 0.1%	0.7%	3.3%	– 3.0%	– 4.6%	– 1.5%
2000	– 4.0%	– 1.9%	– 5.1%	– 2.0%	– 5.3%	– 10.1%
2005	– 1.8%	– 2.1%	– 2.5%	1.9%	5.7%	3.0%
2008	– 2.5%	– 5.3%	– 6.1%	– 3.5%	– 34.5%	– 38.5%
2015	– 3.0%	0.2%	– 3.1%	5.5%	2.5%	– 0.7%
2016	– 2.3%	– 6.0%	– 5.1%	– 0.4%	15.4%	9.5%
2024	– 0.9%	– 0.1%	1.6%	5.2%	21.4%	23.3%
2025	*– 0.5%*	–	–	–	–	–
			Average:	**0.1%**	**6.0%**	**6.1%**
			Median:	**– 0.1%**	**7.1%**	**5.0%**
			# Up:	**8**	**12**	**11**
			#Down:	**8**	**4**	**5**

However, even with a failed Santa rally, the&#2013266080;**January barometer** &#2013266080;holds the key for the year. Historically, a positive January has been a bullish sign for stocks. The chart below highlights that the popular Wall Street maxim has stood the test of time. Since 1950, the S&P 500 has posted an average annual return of 16.8% during years that included a positive January. Furthermore, the index generated positive returns in 89% of these years. In contrast, when the index traded lower in January, annual returns dropped to -1.7%, with only 50% of occurrences yielding positive results.



With the bulls needing a positive January performance, the market has its work cut out. However, with the market?s short-term oversold and breadth, there is a reasonable technical setup for an improvement in performance in January.



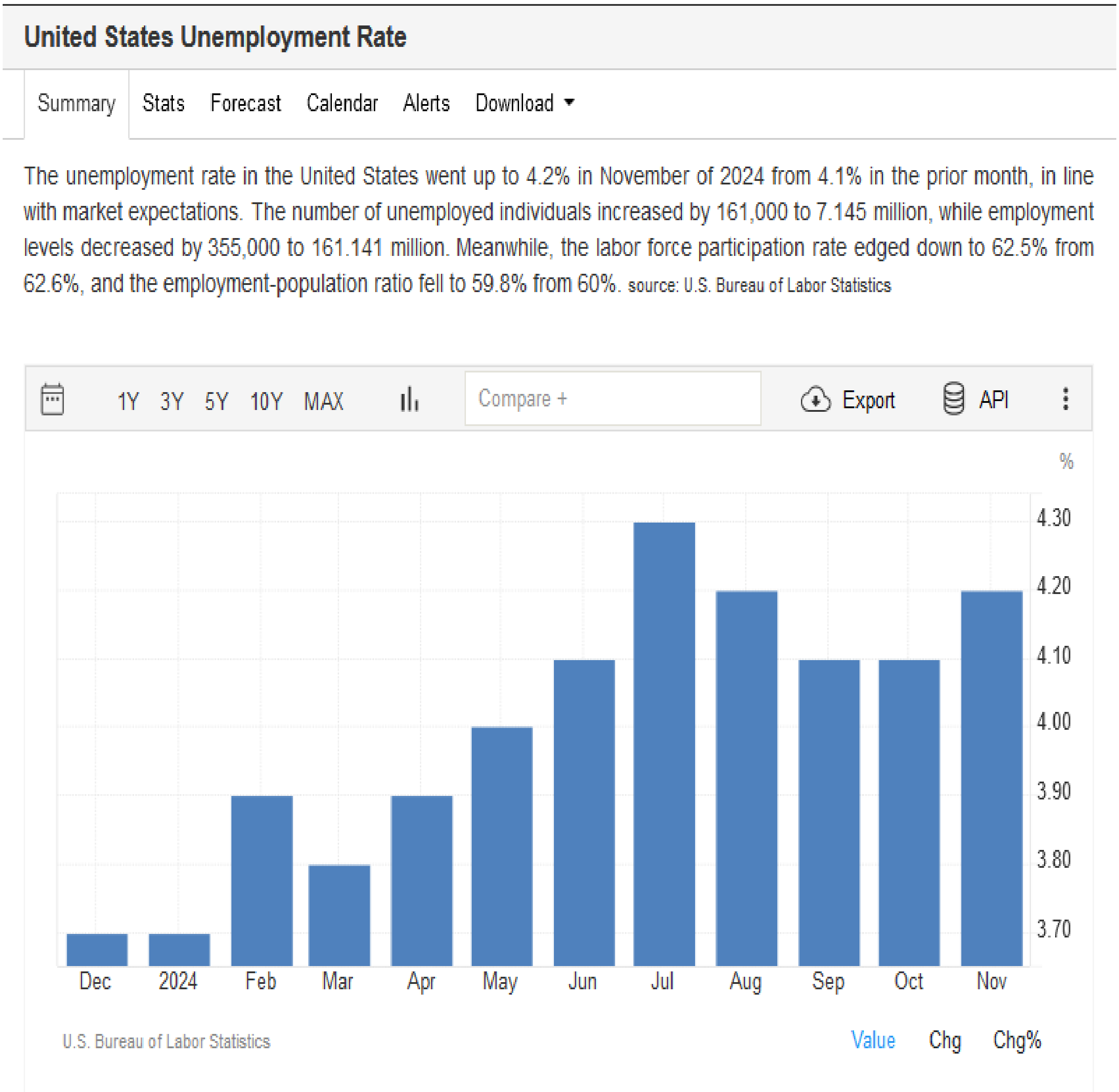
However, will 2025 be another banner year? Maybe. But&#2013266080;the market certainly faces headwinds, from elevated earnings expectations to valuations. Our best guess is that while this year will likely see a continuation of the bull market cycle, it will be punctuated by increased bouts of volatility that will weigh on investor sentiment. In other words,&#2013266080;*?buckle up and keep&#2013266080;your arms and belongings inside the vehicle.?*

The Week Ahead

Job data is at the top of the week?s economic data agenda. Still, the ISM Services survey on Tuesday and FOMC minutes on Wednesday will be valuable for investors. Analysts expect

Tuesday?s JOLTs data to show a slight decline in job openings. Remember that the data is from November, so holiday hiring/firing patterns will sway the data. ADP on Wednesday is forecasted to show the economy gained 140k jobs. Such is in line with November but slightly less than September and October.

Lastly, economists forecast the BLS jobs report to show a gain of 150k jobs. While similar to ADP, the BLS data has been generally stronger. However, it has been revised lower over subsequent months. The unemployment rate will be closely watched after last month?s increase from 4.1% to 4.2%. The estimate is for another .10% increase. 4.3% would still be a low rate, but it would tie last July?s reading for the cycle high.



The Rules Of Bob Farell- An Updated Illustrated Guide

Why are Bob?s rules so important? The answer is simple:&#2013266080;***The downfall of all investors is ultimately ?greed? and ?fear.?&#2013266080;***Investors repeatedly fail to sell when markets are near peaks, nor do they buy market bottoms. However, this does not just apply to individuals but also to many advisors, which is why many promote *?buy and hold?* investment strategies because they either **can?t, don?t want to, or don?t know how to manage portfolio risk.**

While buy-and-hold strategies work well during trending bull markets, they can be devasting during larger corrections and bear markets. This is why Bob Farrell?s rules are so important for navigating markets over the long term. Such is particularly the case today, with expectations elevated, valuations high, and sentiment extremely bullish.

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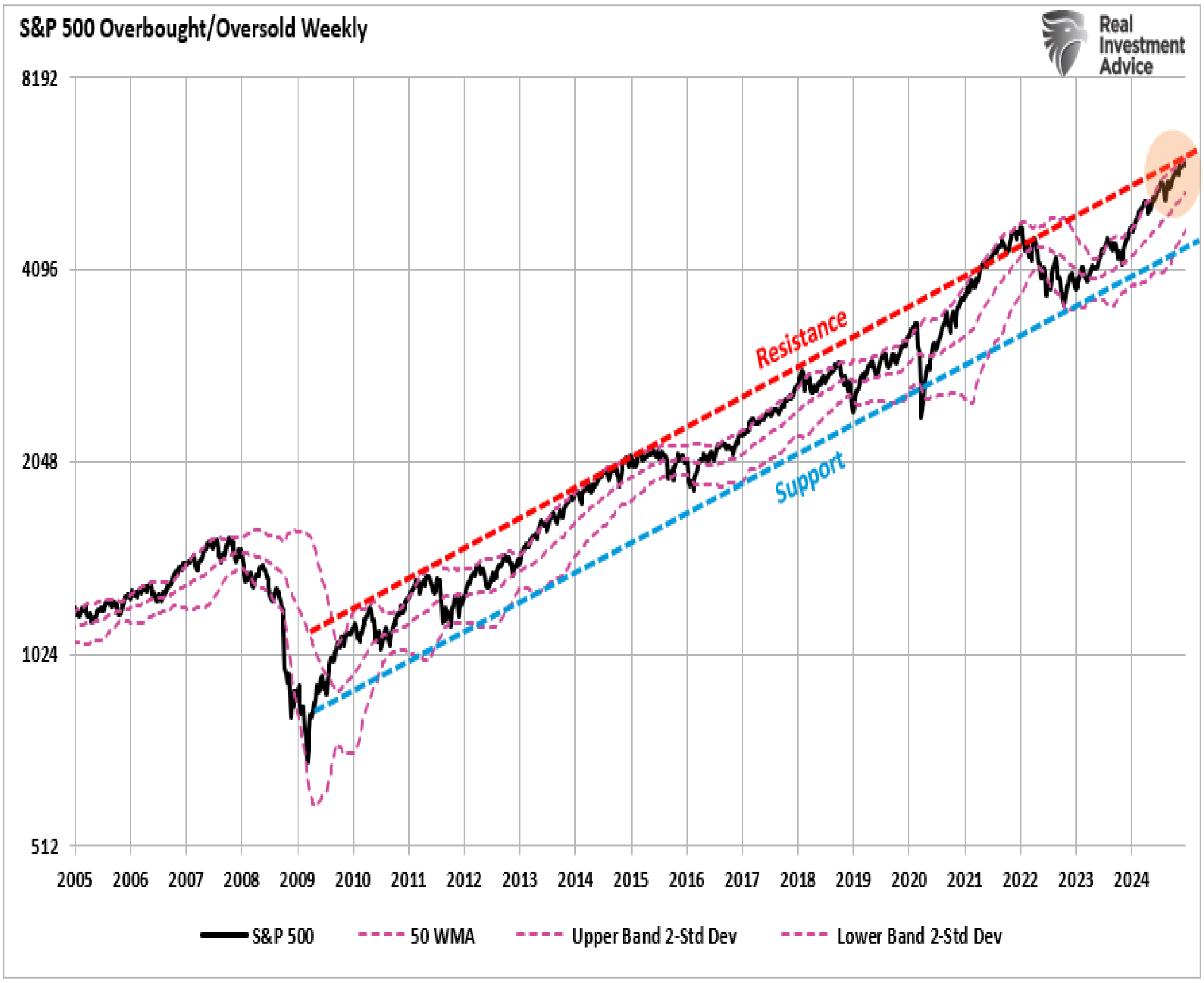
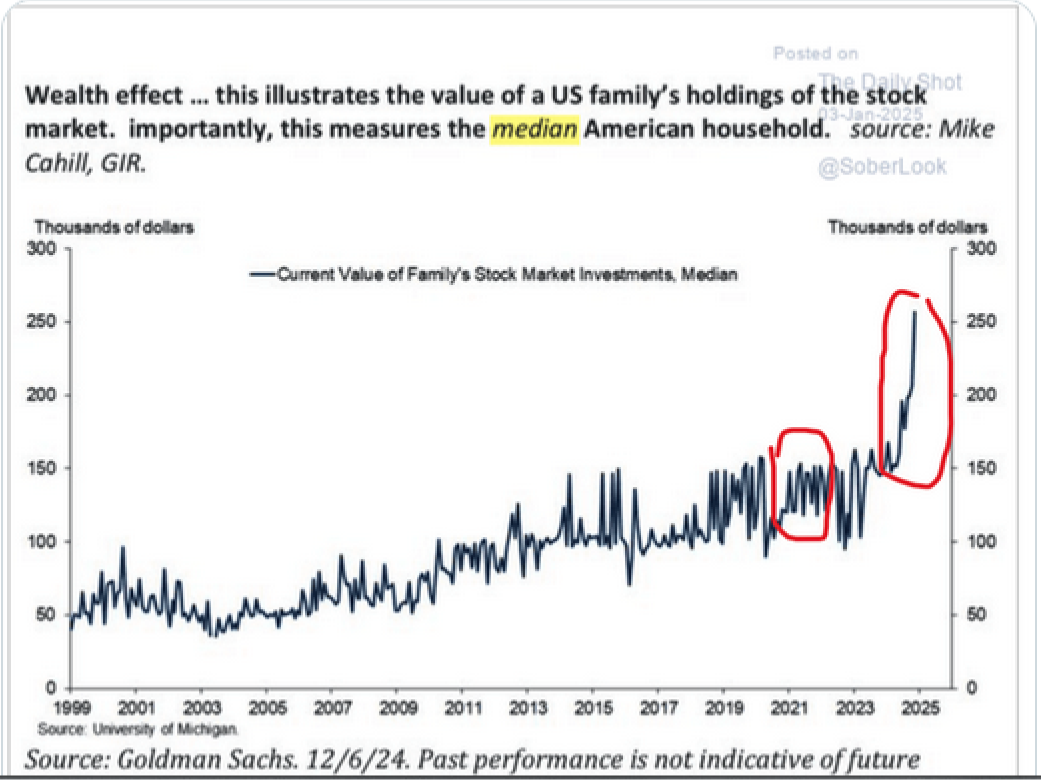


Tweet of the Day

Lance Roberts @LanceRoberts · 30m

The chart shows #median #household ownership of US #equities. So this strips out the top and bottom holders. What is strange, is that we didn't see a massive uptick when we sent #stimulus checks to households, but last year, saw an enormous increase even as household #savings
Show more



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