

ISM Manufacturing Supports Reflationary Forecasts

Over the last couple of weeks, we have shared evidence that supports the reflationary narrative and some that defies it. Today, we share the latest ISM Manufacturing data, which lends credence to the reflationary narrative.

The ISM Manufacturing survey showed a big improvement in sentiment, as shown below. The gauge shot up 4.7 to 52.6, well above expectations of 48.5. The increase was the second-largest increase in this century! The survey components were equally promising with new orders, a forward-looking indicator, up to 57.1 from 47.7. The ratio of new orders to inventory stands at 1.19, the highest since 2021. Prices paid ticked up slightly to 59, and employment rose to 48.1. While the gain in employment is good news, the index remains below 50, indicating contractionary conditions. It's worth adding that many foreign ISM manufacturing surveys are also pointing higher. Confidence appears to be growing after last year's tariff turbulence.

Interestingly, despite the sharp improvement in sentiment, numerous comments in the ISM manufacturing survey were less positive than the data suggest. Might there be a 'K' shaped recovery within the manufacturing sector?

US ISM Manufacturing Survey



— United States, Business Surveys, ISM, Report on Business, Manufacturing, Purchasing Managers', SA, Index



What To Watch Today

Earnings

Wednesday Feb 4	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time		
Alphabet <small>GOOG:US</small>		2.62	2.15		110.97B	96.47B	\$1.9T	Q4	PM	★	🔔
Eli Lilly <small>LLY:US</small>		7.16	5.32		17.69B	13.53B	\$956.81B	Q4	AM	★	🔔
AbbVie <small>ABBV:US</small>		3.35	2.16		16.38B	15.1B	\$385.68B	Q4	AM	★	🔔
Qualcomm <small>QCOM:US</small>		3.4	3.41		12.11B	11.67B	\$199.85B	Q1	PM	★	🔔
Uber <small>UBER:US</small>		0.79	3.21		14.32B	12B	\$193.15B	Q4	AM	★	🔔
Boston Scientific <small>BSX:US</small>		0.78	0.70		5.28B	4.56B	\$152.88B	Q4	AM	★	🔔
McKesson <small>MCK:US</small>		9.16	8.03		105.94B	95.29B	\$108.37B	Q3	PM	★	🔔
CME <small>CME:US</small>		2.72	2.52		1.62B	1.53B	\$102.24B	Q4	AM	★	🔔
O'Reilly Automotive <small>ORLY:US</small>		0.72	9.50		4.39B	4.1B	\$86.63B	Q4	PM	★	🔔
Johnson Controls <small>JCI:US</small>		0.83	0.64		5.63B	5.43B	\$79.62B	Q1	AM	★	🔔
Aflac <small>AFL:US</small>		1.71	1.56		4.3B	5.4B	\$60.45B	Q4	PM	★	🔔
Phillips 66 <small>PSX:US</small>		2.42	-0.15		33.6B	32.78B	\$59.04B	Q4	AM	★	🔔
MetLife <small>MET:US</small>		2.36	2.09		24.78B	18.67B	\$56.89B	Q4	PM	★	🔔
Allstate <small>ALL:US</small>		8.21	7.67		14.63B	16.5B	\$51.57B	Q4	PM	★	🔔
Yum Brands <small>YUM:US</small>		1.77	1.61		2.45B	2.36B	\$42.1B	Q4	AM	★	🔔
Crown Castle International		0.54	-10.97		1.06B	1.65B	\$37.35B	Q4	PM	★	🔔
Cognizant Technology Sol		1.32	1.21		5.31B	5.08B	\$35.55B	Q4	AM	★	🔔
Coherent <small>COHR:US</small>		1.21	0.95		1.64B	1.44B	\$32.83B	Q2	PM	★	🔔
Old Dominion Freight Line <small>ODFJ</small>		1.06	1.23		1.3B	1.39B	\$29.63B	Q4	AM	★	🔔
Equifax <small>EFX:US</small>		2.04	2.12		1.52B	1.42B	\$25.48B	Q4	AM	★	🔔
AvalonBay Communities <small>AVB</small>		1.26	1.98		766.02M	670.15M	\$24.75B	Q4	PM	★	🔔
Steris <small>STE:US</small>		2.53	2.32		1.48B	1.4B	\$24.03B	Q3	PM	★	🔔
Markel <small>MKL:US</small>		26.46	38.74		3.64B	3.84B	\$23.94B	Q4	PM	★	🔔
T. Rowe Price <small>TROW:US</small>		2.47	2.12		1.93B	1.82B	\$23.51B	Q4	AM	★	🔔
PTC <small>PTC:US</small>		1.55	1.10		634.94M	565M	\$19.36B	Q1	PM	★	🔔
Corpay <small>FLT:US</small>		5.93	5.36		1.23B	1.03B	\$18.24B	Q4	PM	★	🔔
Fortive <small>FTV:US</small>		0.84	1.17		1.09B	1.62B	\$17.48B	Q4	AM	★	🔔

Economy

Wednesday February 04 2026			Actual	Previous	Consensus	Forecast	
07:00 AM	US	MBA 30-Year Mortgage Rate JAN/30		6.24%			
07:00 AM	US	MBA Mortgage Applications JAN/30		-8.5%			
07:00 AM	US	MBA Mortgage Market Index JAN/30		363.3			
07:00 AM	US	MBA Mortgage Refinance Index JAN/30		1332.2			
07:00 AM	US	MBA Purchase Index JAN/30		193.3			
08:15 AM	US	ADP Employment Change JAN		41K	48K	35.0K	
08:30 AM	US	Treasury Refunding Announcement					
09:20 AM	US	NY Fed Bill Purchases 1 to 4 months			\$8.304 billion		
09:45 AM	US	S&P Global Composite PMI Final JAN		52.7	52.8	52.8	
09:45 AM	US	S&P Global Services PMI Final JAN		52.5	52.5	52.5	
10:00 AM	US	ISM Services PMI JAN		54.4	53.5	54.3	
10:00 AM	US	ISM Services Business Activity JAN		56.0		55.8	
10:00 AM	US	ISM Services Employment JAN		52.0	52.3	52	
10:00 AM	US	ISM Services New Orders JAN		57.9		57.7	
10:00 AM	US	ISM Services Prices JAN		64.3		64	

Market Trading Update

Yesterday, we noted the performance data for the month of February and the market as a whole, which were both positive in January. However, while the bullish bias remains currently, there is a continued breakdown and rotation between growth and value stocks. As shown, value has been outperforming growth since November, and has broken above moving average resistance, suggesting the value trade could last for a while longer.

3-Feb-2026 11:14am

Open 1.777 High 1.790 Low 1.777 Last 1.787 Chg +0.024(+1.38%) ▲



However, the growth side of the equation is increasingly oversold and unloved, which has historically been a signal of a rotation back from stability to growth. As shown, Technology has moved from very oversold back to more oversold.



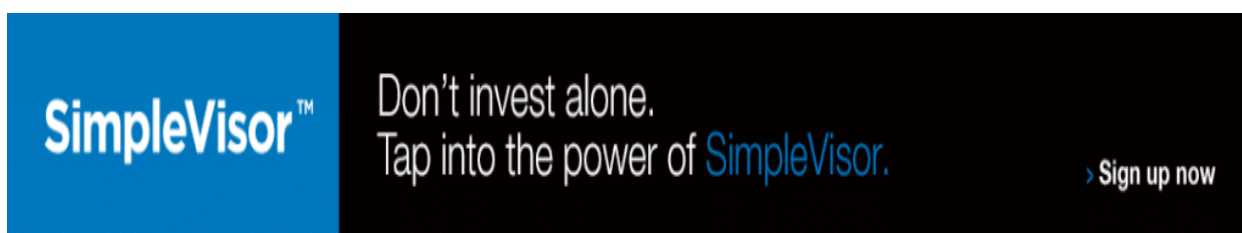
You can see this a bit better in the factor analysis, where momentum/growth is now very oversold, while perceived *value* factors are overbought. The exception to that rule is the Microcap factor which is pure speculative trading and is extremely extended and overbought.



While these short-term factors can certainly persist longer than logic would suggest, the eventual rotation from value back to growth is becoming more likely. Such is particularly the case if economic data continues to improve and the AI narrative regains traction, which is likely given the strength of earnings and revenue growth by these companies so far.

What the data suggests is that investors who are long the markets and factors that are overbought and extended take profits, rebalance holdings back to targets, and look for great companies that have been beaten up recently.

After all, isn't the goal of investing to *buy low/sell high*??



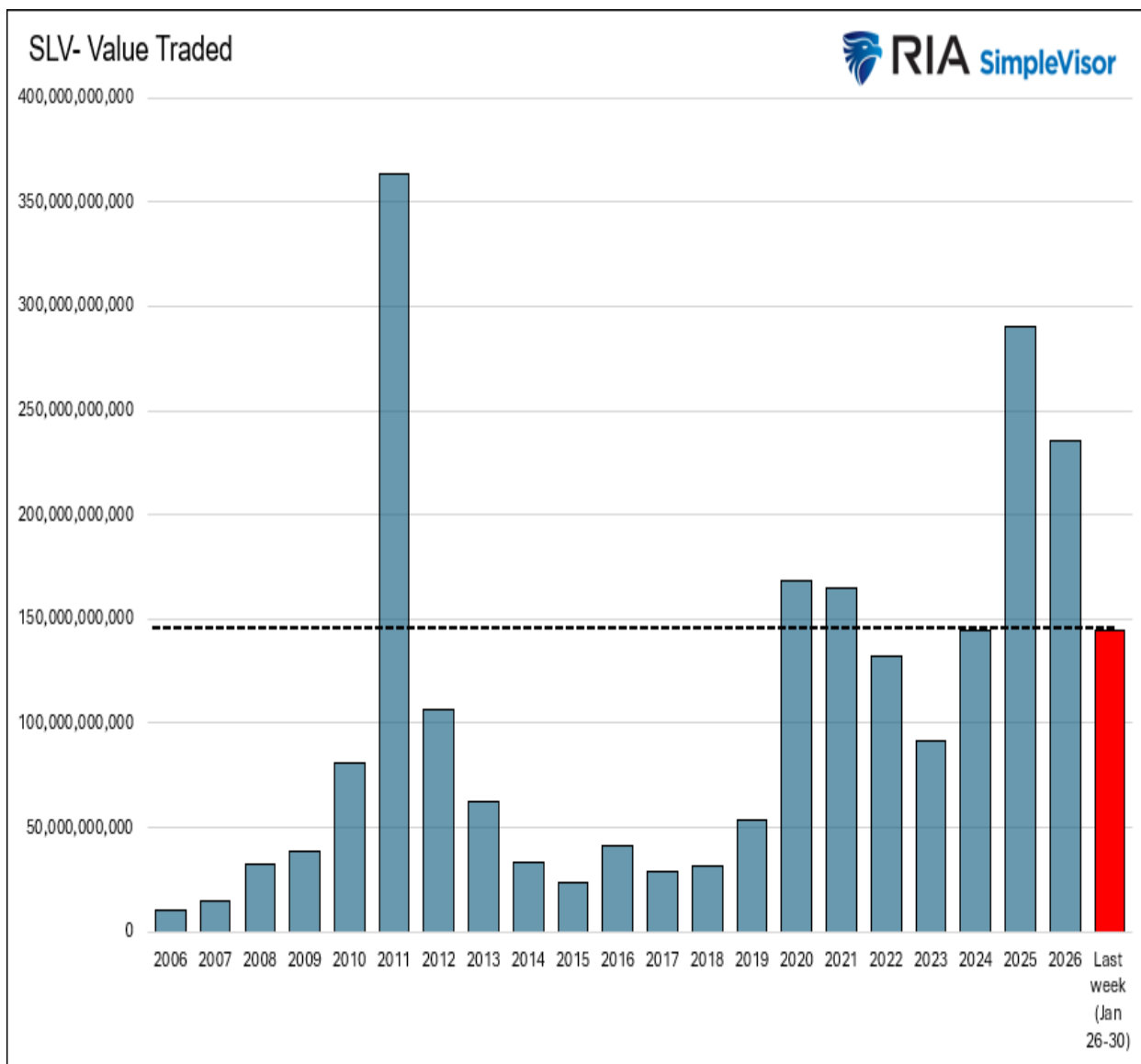
Silver- Did Retail Investors Get Over Their Skis?

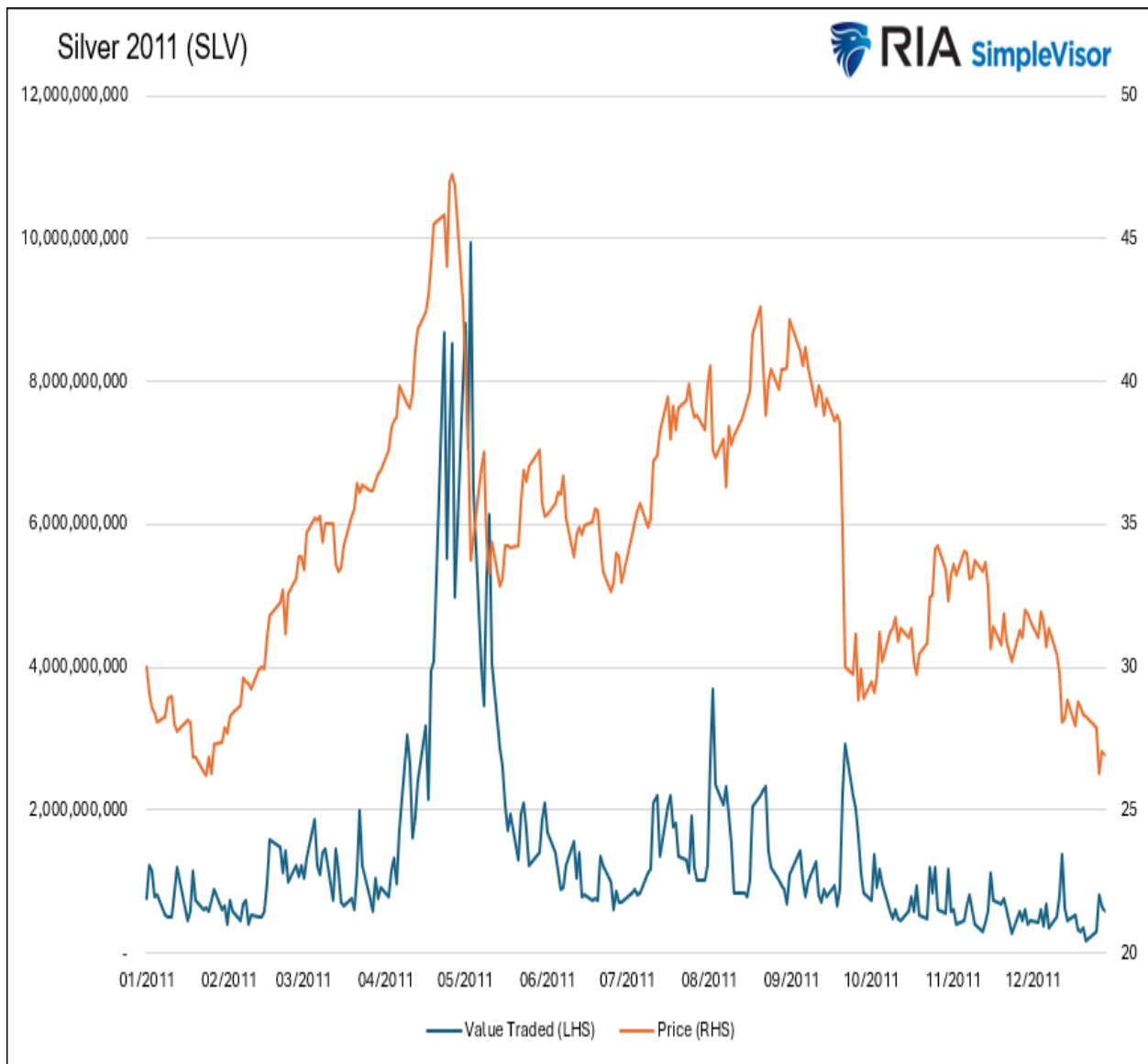
While the recent drawdown in silver was not easy predict, there was one omen that it was overdue for a sharp reversal. This warning sign was surging ETF volume. ETFs are predominantly traded by retail investors, who tend to chase trends in their latter innings.

The first graph below shows the dramatic increase in the dollar amount of silver traded in the SLV ETF this year. Consider these facts:

- On January 26, \$38.133 billion of SLV traded. �
- Dating back to 2006, the amount traded solely on January 26th was more than the annual amounts in seven different years.
- In fact, it is 13% of the total traded in all of 2025.
- Moreover, the dollar value traded last week (January 26-30) was over \$144 billion, surpassing all but five of the 21 years shown.

The incredible volumes in the silver ETF (SLV) leave little doubt that retail investors are actively trading silver. To add some context to what this might mean, we share the second graph below, which shows the prior bubble peak in late April 2011. As shown, the price in April 2011 spiked and peaked. During that final surge, the daily volume exploded by about 10x. The price surge and massive increase in SLV trading volume were unsustainable. Is today different?





Walmart Joins The Trillion Dollar Club

On Tuesday, Walmart's market cap eclipsed \$1 trillion. In doing so, it joins 9 other S&P 500 stocks with market caps over \$1 trillion. The list is almost entirely composed of technology companies, except for Walmart and Berkshire Hathaway. It's worth noting that health care giant Eli Lilly is also teetering on a \$1 trillion market cap.

Walmart has quintupled its market cap in the last ten years via the following strategies:

- Building out its online platform
- Broaden appeal to higher-income shoppers
- Same-day delivery offerings
- Invest in AI and other automation to improve efficiency and profit margins

Walmart's decision to move its stock listing from the NYSE to the Nasdaq underscores management's effort to reframe Walmart not merely as a traditional retailer, but as a technology-enabled distribution and logistics platform. These actions more than paid off, as shown below.



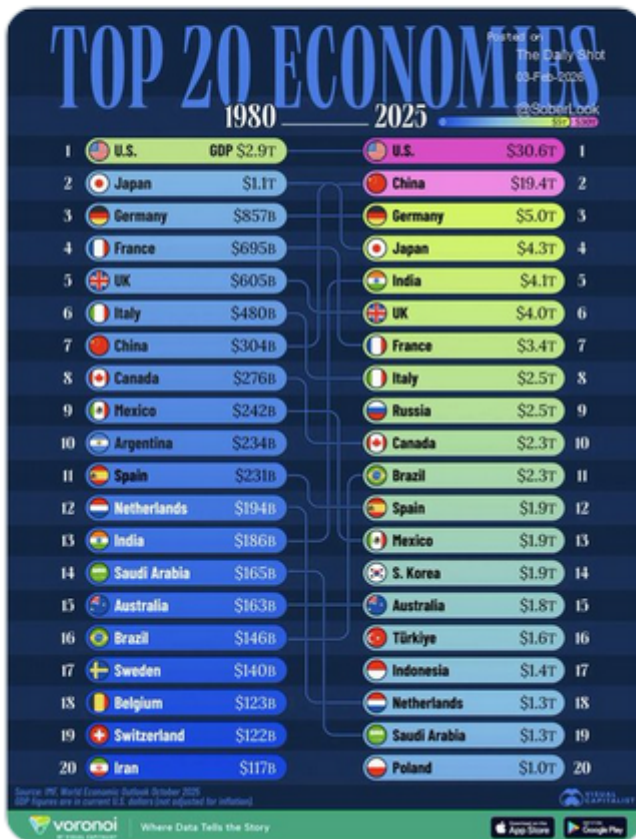
Tweet of the Day



Lance Roberts  @LanceRoberts · 3h



This is a great chart showing the growth of [#economic](#) since 1980. For all those "Purveyors of Perpetual Doom" that show charts without context, this is why there is [#inflation](#) and the [#moneysupply](#) has grown. If it didn't, there would be no growth.



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