



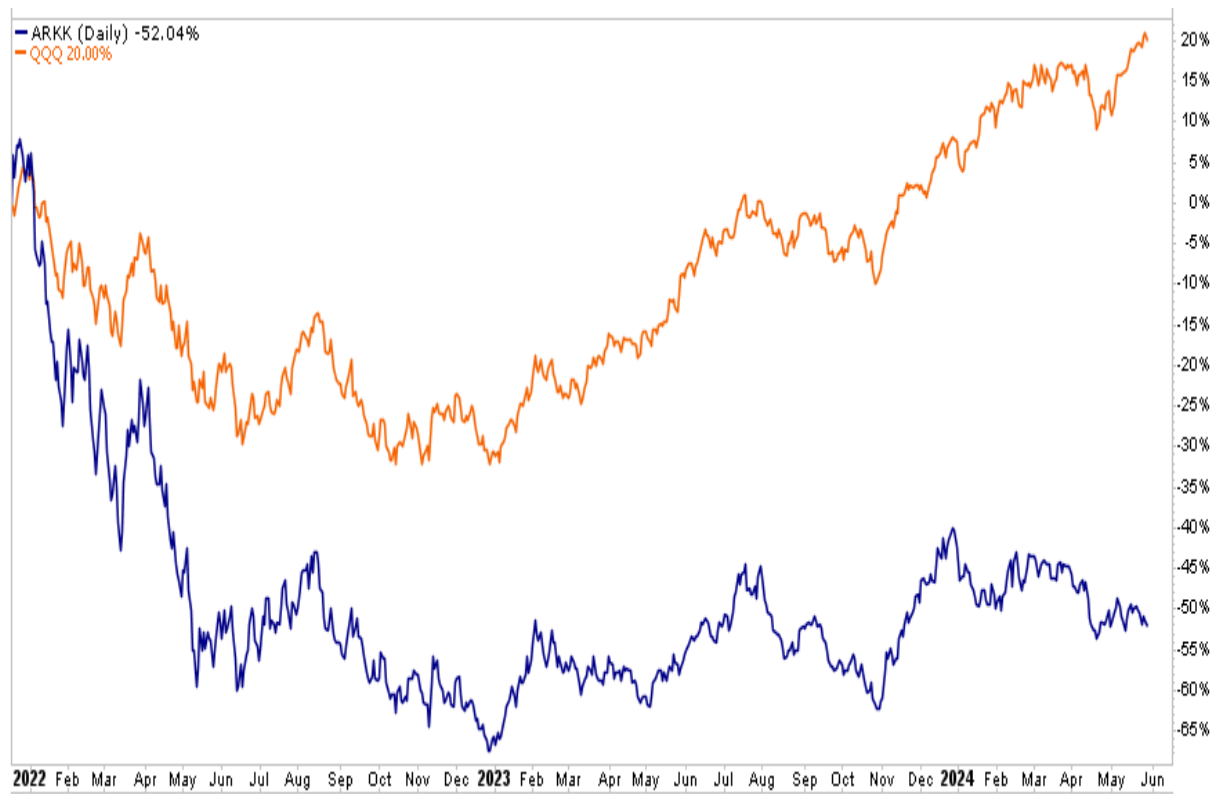
Lets Knock On Wood - RIA

We haven't written lately on Cathie Wood and her ARKK Innovation ETF. But given the popularity of her funds, their horrendous results over the last three years, and Wood's preposterous claims, let's knock on Cathie Wood and ARKK.

Wood started the ARKK fund and others in 2014. The flagship fund, ARKK Innovation Fund, seeks long-term growth through investments in disruptive companies. In the stock market rally of 2020, ARKK flourished. Consequently, its assets (AUM) rose from \$2 billion at the start of 2020 to its peak of \$28 billion in early 2021. ARKK's AUM today is \$6.2 billion. Her fund was the poster child for the 2020 meme stock rally and has since become one of the worst-performing ETFs. Wood's promises of outsized returns drove speculation in her fund. To wit is a [comment](#) from the fund on December 17, 2021:

"With a five-year investment time horizon, our forecasts for these platforms suggest that our strategies today could deliver a 30-40% compound annual rate of return during the next five years. In other words, if our research is correct ? and I believe that our research on innovation is the best in the financial world ? then our strategies will triple to quintuple in value over the next five years." -Cathie Wood

The graph below shows the fund's poor performance, which is even more troublesome when compared to her claims and the Nasdaq (QQQ). The point of knocking Cathie Wood and ARKK is to highlight that narratives and market actions can be substantial and, in the longer run, damaging to investor returns. As our ARKK example shows, reality always catches up with stocks; it's just a question of when.


































































What To Watch Today

Earnings

- *No notable earnings announcements today.*

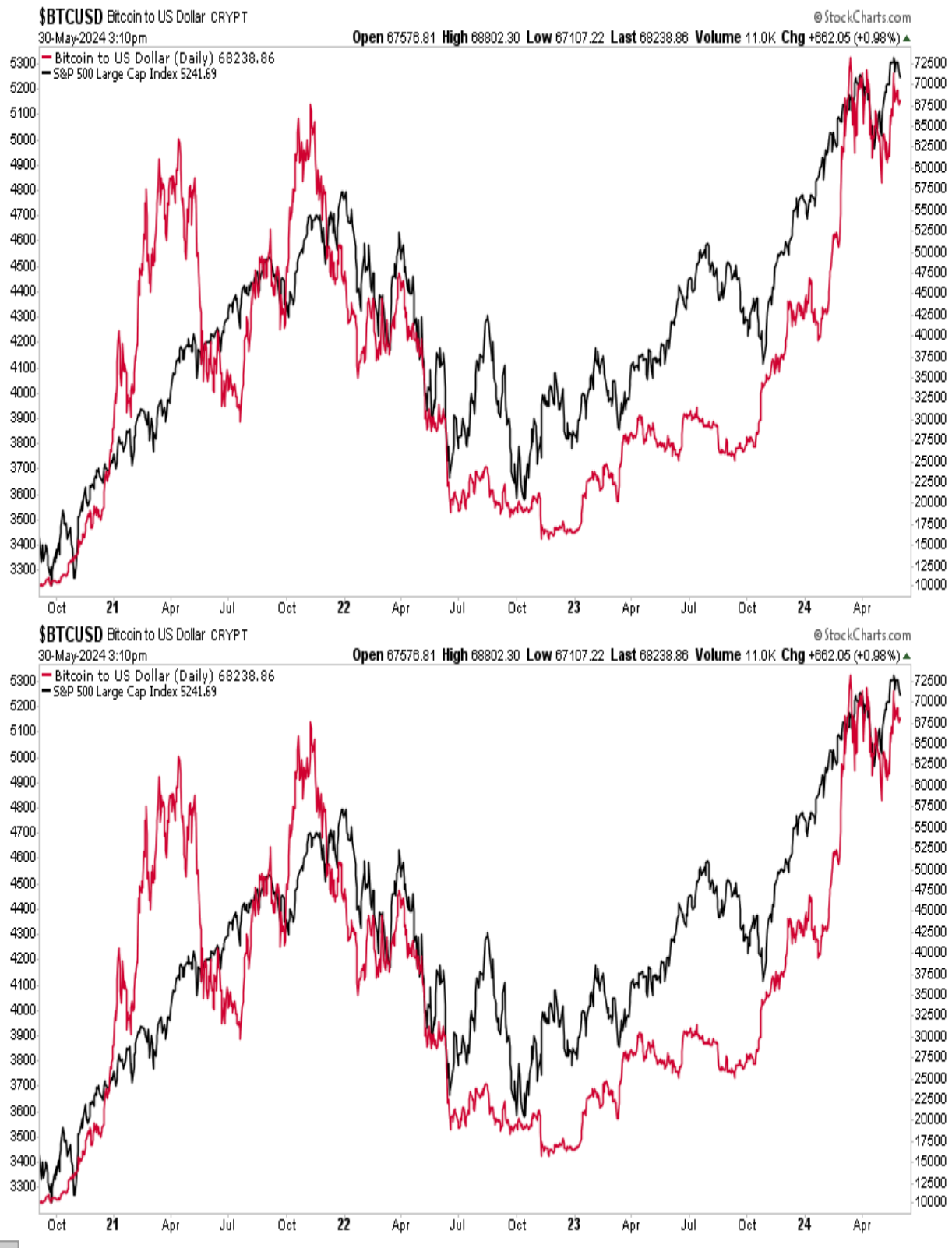
Economy

Time	Event	Impact	Actual	Dev		Consensus	Previous
FRIDAY, MAY 31							
12:30	 USD Core Personal Consumption Expenditures - Price Index (MoM) (Apr)	<div><div></div></div>	-	-		0.3%	0.3% 
12:30	 USD Core Personal Consumption Expenditures - Price Index (YoY)(Apr)	<div><div></div></div>	-	-		2.8%	2.8% 
12:30	 USD Personal Consumption Expenditures - Price Index (MoM)(Apr)	<div><div></div></div>	-	-		0.3%	0.3% 
12:30	 USD Personal Consumption Expenditures - Price Index (YoY)(Apr)	<div><div></div></div>	-	-		2.7%	2.7% 
12:30	 USD Personal Income (MoM)(Apr)	<div><div></div></div>	-	-		0.3%	0.5% 
12:30	 USD Personal Spending(Apr)	<div><div></div></div>	-	-		0.3%	0.8% 
13:45	 USD Chicago Purchasing Managers' Index(May)	<div><div></div></div>	-	-		41	37.9 
17:00	 USD Baker Hughes US Oil Rig Count	<div><div></div></div>	-	-		-	497 
19:30	 USD CFTC Gold NC Net Positions	<div><div></div></div>	-	-		- \$229.8K	
19:30	 USD CFTC Oil NC Net Positions	<div><div></div></div>	-	-		- 219.3K	
19:30	 USD CFTC S&P 500 NC Net Positions	<div><div></div></div>	-	-		- \$-22.8K	
22:15	 USD Fed's Bostic speech	<div><div></div></div>			<div>SPEECH</div>		

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Market Trading Update

There are many narratives surrounding Bitcoin, from a shield to Government overreach to the future of digital money. However, regardless of your opinion on the cryptocurrency, it is a terrific *?risk on?* proxy.

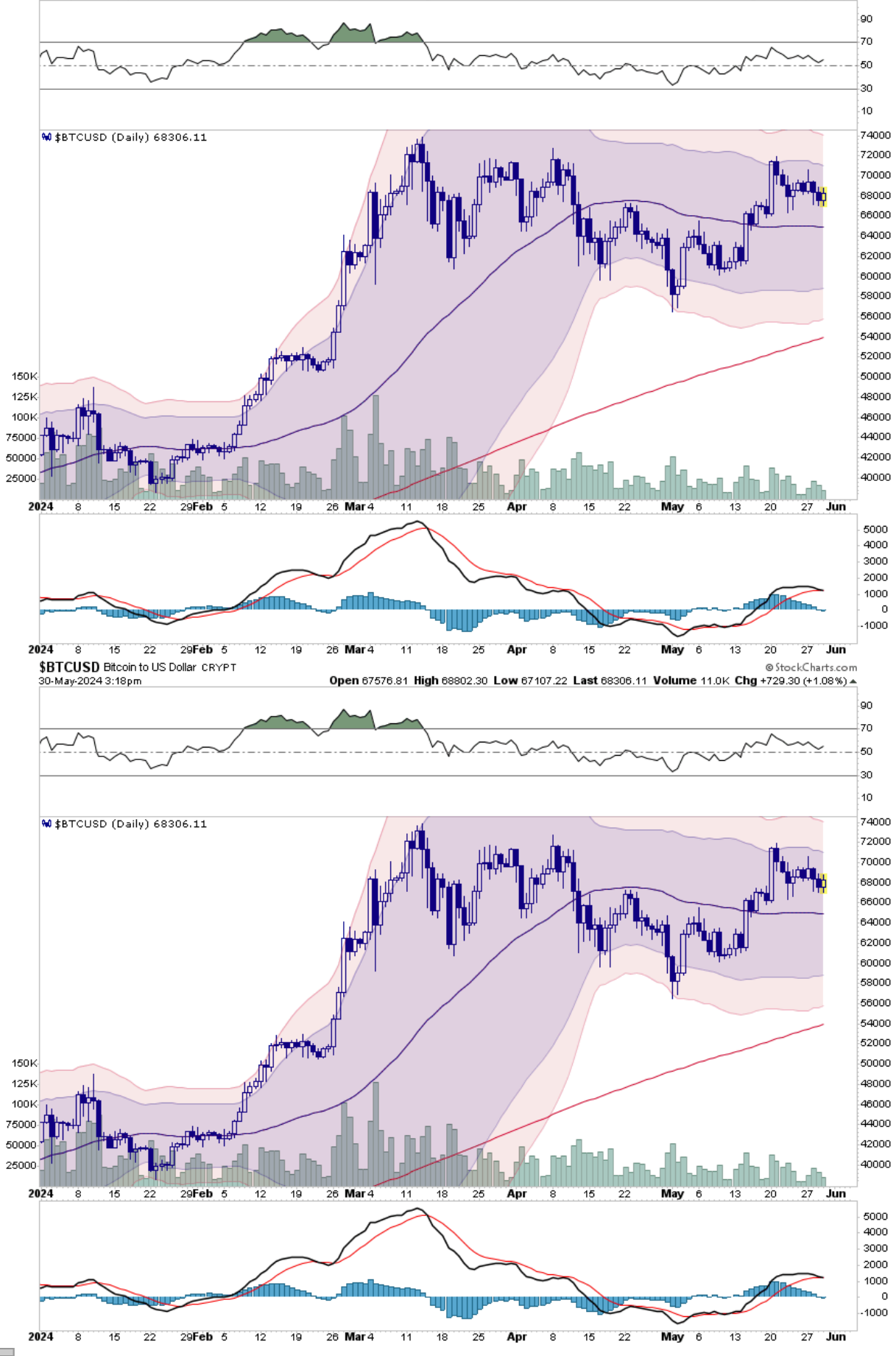


From a technical perspective, Bitcoin recently ran to the top of its 2-standard deviation range and has likely started a short-term correction. With a MACD sell signal close to triggering, a reset of \$60000 is likely as Bitcoin remains in a fairly wide trading range following the Bitcoin ETF buying frenzy.

\$BTCUSD Bitcoin to US Dollar CRYPT
30-May-2024 3:18pm

Open 67576.81 High 68802.30 Low 67107.22 Last 68306.11 Volume 11.0K Chg +729.30 (+1.08%) ▲

© StockCharts.com



Given Bitcoin's history of being a good *risk on/risk off* proxy, if Bitcoin breaks below critical support, we should likely expect the **broader market** to follow suit. In such a case, we would likely see momentum trade shifting to a more defensive group of stocks in the index.

Just something we are watching.



The South Park Investment Curse

We stumbled across an interesting article showing an odd correlation between stocks mentioned on the TV show South Park and poor stock performance. Per the [article](#):

Brent Donnelly, president of Spectra Markets, did the leg work and found that once a company or its product is featured prominently on an episode of the animated comedy series, its stock tends to underperform the S&P 500 by 7 percent over the following 12 months.

There may be some logic to the correlation. For instance, if a company's product is popular but absurd, as is sometimes the case with South Park plot lines, might its market value also be too high? The table below from the article shows stocks featured on the show since 1998. While the average results affirm the author's theory, the variance of returns is substantial.

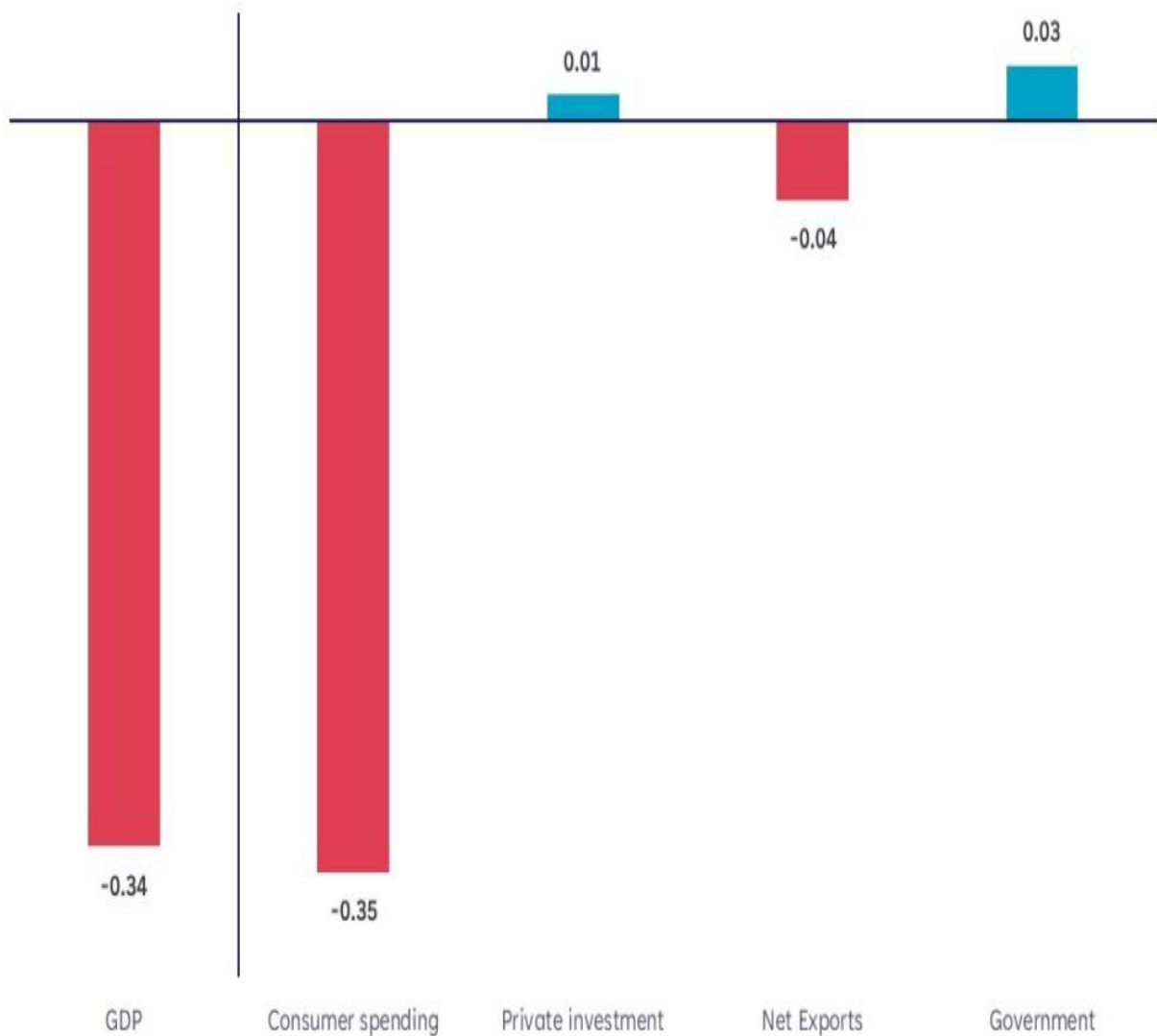
					Performance minus SPX		
Date	South Park Episode	Topic	Trade	Ticker	3m later	6m later	1 year later
5/24/2024	The End of Obesity	Ozempic	Novo Nordisk	NVO US			
10/27/2023	Joining the Panderverse	Woke Disney	Disney	DIS US	1.1%	19.8%	
3/8/2023	Deep Learning	ChatGPT	Microsoft	MSFT US	23.9%	18.5%	31.7%
6/1/2022	The Streaming Wars	Streaming	Netflix	NFLX US	15.0%	46.1%	101.2%
6/1/2022	The Streaming Wars	Streaming	Disney	DIS US	4.3%	-9.9%	-22.6%
3/10/2021	South ParQ Vaccination Special	Vaccines	Pfizer	PFE US	3.5%	18.8%	32.6%
3/10/2021	South ParQ Vaccination Special	Vaccines	Walgreens	WBA US	1.6%	-12.0%	-11.3%
9/30/2020	The Pandemic Special	COVID	Disney	DIS US	32.3%	31.5%	8.3%
9/25/2019	Mexican Joker	MedMen visit Tegrity Farms	MedMen	MMEN US	-74.6%	-69.0%	-99.8%
12/4/2019	Basic Cable	Cable vs. streaming	Comcast	CMCSA US	-1.9%	-7.3%	-0.1%
12/5/2018	Unfulfilled	Amazon comes to South Park	Amazon	AMZN US	0.1%	-0.4%	-9.3%
10/17/2018	Tegrity Farms	Weed	Tilray	TLRY US	-36.8%	-70.1%	-91.4%
10/18/2017	Hummels and Heroin	Opioids	Mallinkrodt	MNK US	-40.1%	-63.3%	-28.3%
10/11/2017	Franchise Prequel	Fake news	Facebook	META US	1.4%	-12.3%	-17.8%
10/21/2015	Safe Space	Twitter bullying	Twitter	TWTR US	-35.9%	-44.6%	-48.0%
10/14/2015	You're Not Yelping	Cartman reviews restaurants	Yelp	YELP US	8.4%	-16.2%	60.4%
11/20/2013	A Song of Ass and Fire	Playstation 4 etc.	Microsoft	MSFT US	-1.5%	3.0%	17.2%
11/13/2013	Black Friday	Sony Playstation mania	Sony	SONY US	-5.7%	-8.2%	0.6%
11/13/2013	Black Friday	Sony Playstation mania	Microsoft	MSFT US	-2.6%	0.5%	18.6%
10/2/2013	Informative CENSORED	Cable company runaround	Time Warner	TWX US	-4.0%	-12.8%	0.2%
3/21/2012	Cash for Gold	Cartman launches a shopping channel	Liberty Media	QRTEA US	-10.1%	6.4%	16.1%
5/25/2011	Crack Baby Athletic Association	Sports Video Games	Electronic Arts	EA US	-0.7%	3.0%	-39.0%
5/18/2011	T.M.I.	Fedex Shipping offices get taken over	FedEx	FDX US	-3.5%	-7.0%	-4.8%
12/8/2004	Cartman's Incredible Gift	KFC weirdness	Yum Brands	YUM US	7.1%	11.0%	-1.6%
12/1/2004	CENSORED	Paris Hilton and the objectification of women	Mattel	MAT US	8.9%	-3.9%	-20.4%
11/3/2004	Something Wall-Mart This Way Comes	Wall-Mart comes to South Park	Walmart	WMT US	-9.2%	-15.5%	-21.3%
3/24/2004	Up the Down Steroid	Steroids	Teva	TEVA US	6.7%	-14.7%	-8.4%
4/19/2000	Timmy 2000	Ritalin	Novartis	NVS US	6.0%	14.9%	30.4%
4/14/1999	Spontaneous Combustion	Viagra	Pfizer	PFE US	-28.3%	-17.2%	-27.0%
12/16/1998	Gnomes	Harbucks comes to South Park	Starbucks	SBUX US	5.5%	24.3%	-24.1%
Average					-4%	-6%	-6%
Median					0%	-7%	-7%
Win%					52%	41%	39%

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GDP Revised Lower

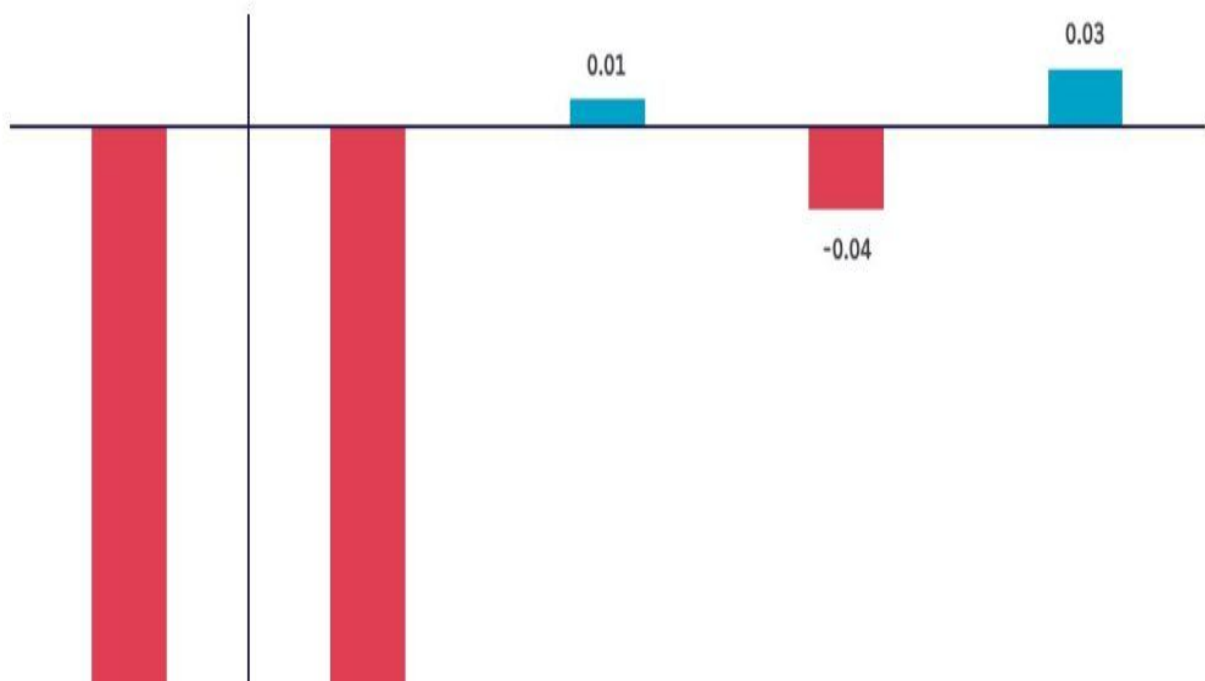
Monday's [Commentary](#) shared information on the recent spate of economic data revisions lower. First quarter GDP is now included. It fell from 1.6% to 1.3% yesterday. As shown below, the revision was driven by a sizable downward revision of consumer spending. The price indexes also ticked lower by 0.1%. While the first quarter is weak, there are no indications that such weakness will be sustained in the second quarter. Currently, as we share in the second graph, the Atlanta Fed's GDP Now is running at 3.5% for the second quarter.

Q1 2024 GDP Percentage Point Revisions



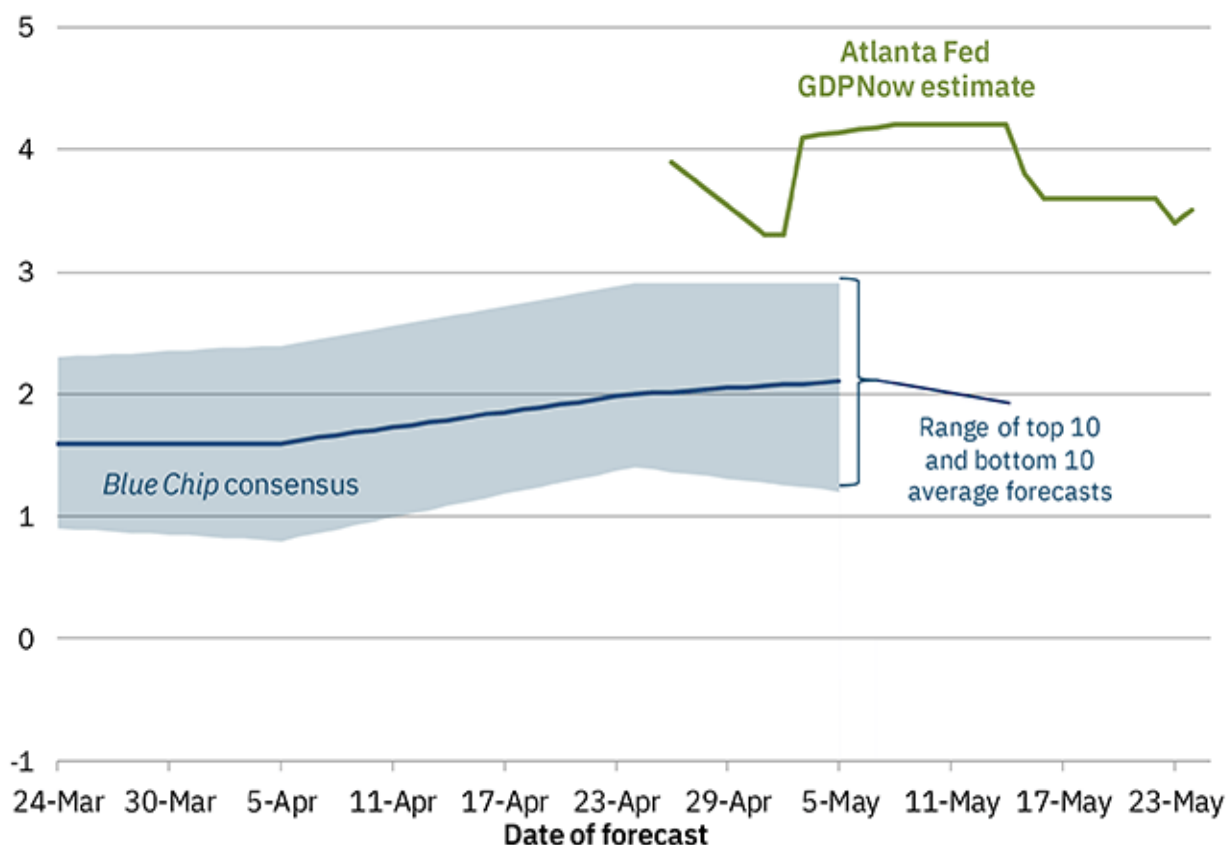
Source: SoFi, BEA, Bloomberg

Q1 2024 GDP Percentage Point Revisions



Evolution of Atlanta Fed GDPNow real GDP estimate for 2024: Q2

Quarterly percent change (SAAR)

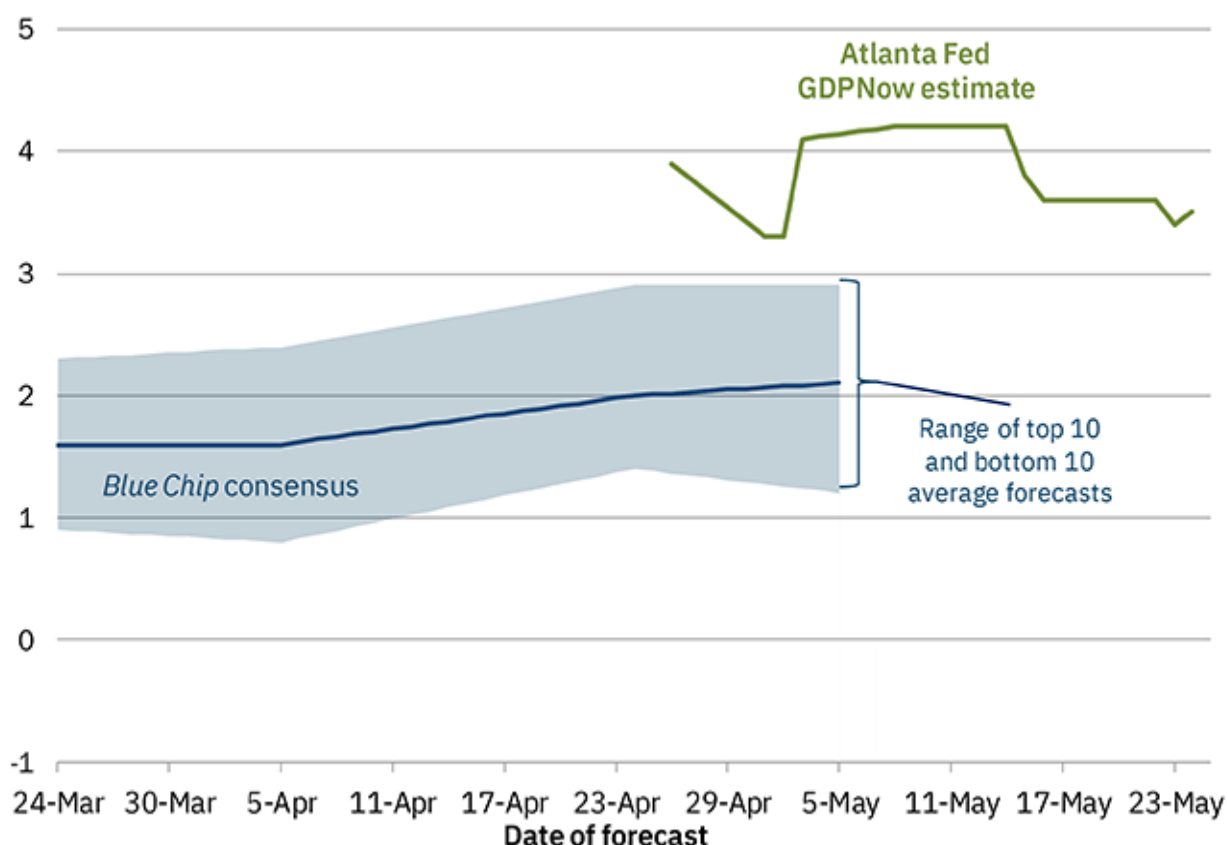


Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

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Tweet of the Day



Carl Quintanilla
@carlquintanilla

...

JPM DESK: “.. pullbacks are a normal occurrence (~3x per year of 5%) but a correction is only likely to occur if there is a fundamental change to the bull case. My current bull case is based on at/above-trend GDP growth (1.7% or higher), positive EPS growth, and a paused Fed. As of now, there is not much data that refutes this hypothesis.

“.. That said, bond yields do matter to Equities and if we see the 10Y yield make new YTD highs (4.70% on Apr 25, 2024) then that may add some headwinds to stocks, in the absence of new news; but, the more critical level is 5% which would represent a new high for this hiking cycle (4.99% on Oct 19, 2023).”

\$SPX 🇺🇸



Carl Quintanilla
@carlquintanilla

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