

Market Breadth Improves Amid Massive Rotation

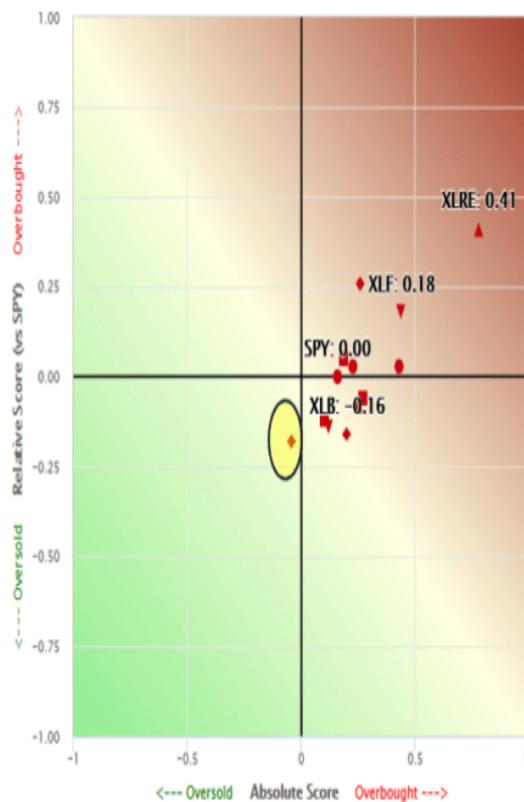
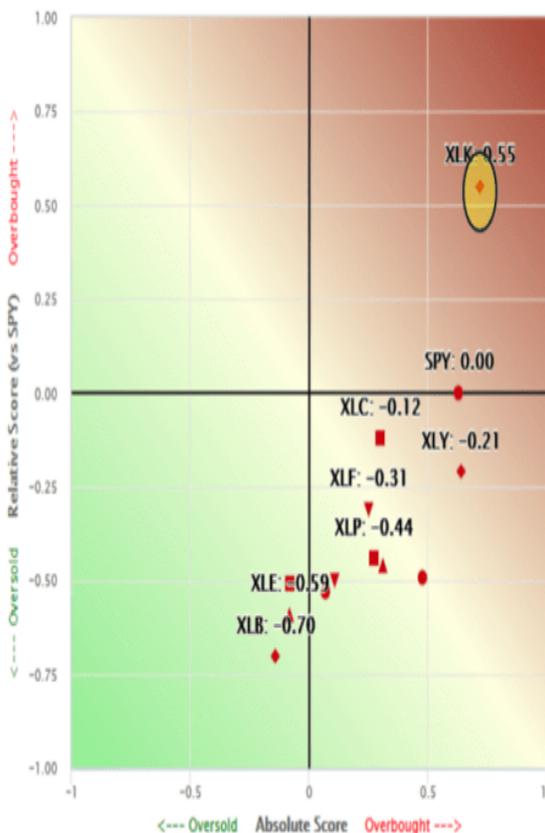
To show the dramatic shift in market breadth, we compare the [SimpleVisor](#) Absolute/Relative sector and factor analysis from yesterday to one month ago. The top graphs show that technology (XLK) was the only sector with a positive absolute and relative score a month ago. Today, every sector except technology has a positive absolute score, and most have positive relative scores. Consequently, XLK is now the most oversold sector. The factor graphs are similar. A month ago, S&P 500 growth (IVW) and Momentum (MTUM) were the only factors overbought on an absolute and relative basis. Today, MTUM is the most oversold factor when using both measures. IVW is close to fair value.

The two important takeaways are the massive market rotation from large cap and tech to small cap and value and the improving breadth. Regarding the market breadth, note in both graphs how much closer every sector and factor is to each other. This grouping tells us the sectors and factors are more aligned technically than they were. However, the market's breadth could worsen if the rotation toward value and small caps continues. Furthermore, it could revert to prior conditions.

Sectors

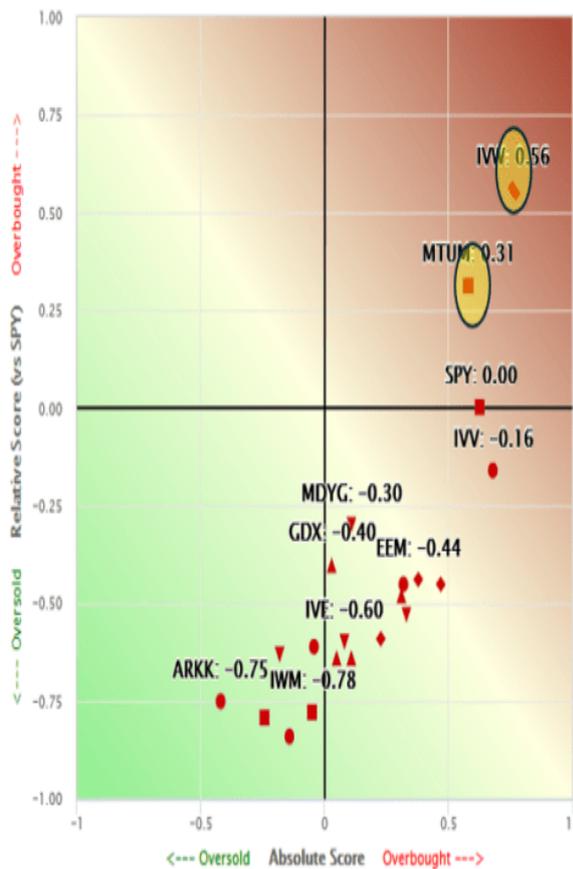
6/24/2024

7/22/2024

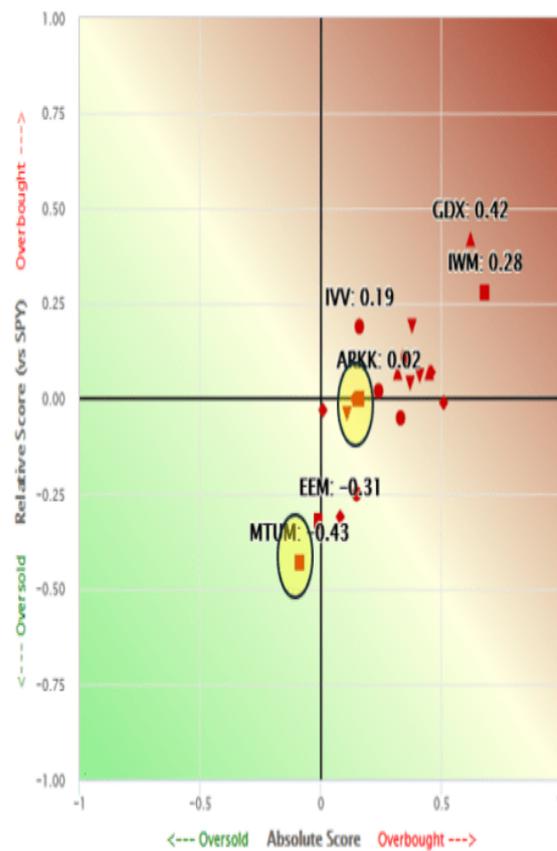


Factors

6/24/2024

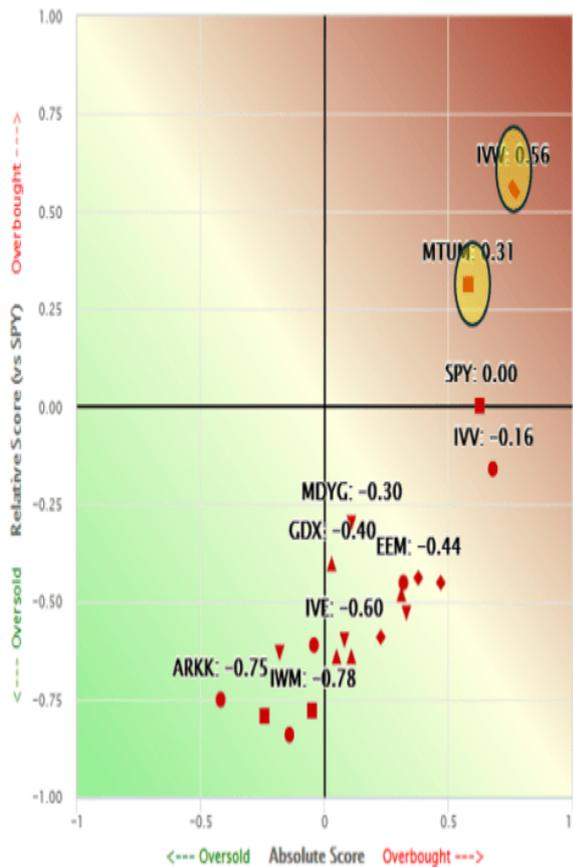


7/22/2024

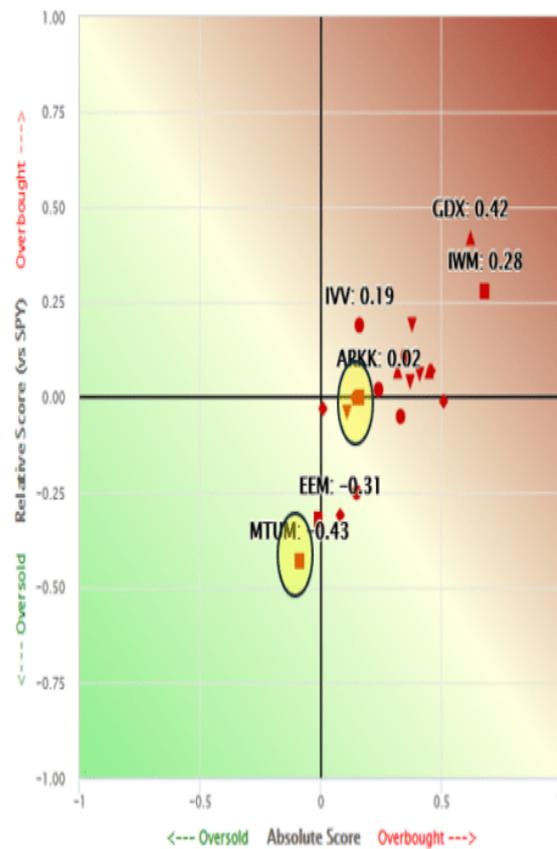


Factors

6/24/2024



7/22/2024



What To Watch Today

Earnings

Time	Symbol	Company Name	Market Cap ▼	Fiscal Quarter Ending	Consensus EPS* Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS*
📈	GOOG	Alphabet Inc.	\$2,214,800,760,000	Jun/2024	\$1.85	16	7/25/2023	\$1.44
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📈	V	Visa Inc.	\$492,258,806,156	Jun/2024	\$2.41	14	7/25/2023	\$2.16
📈	KO	Coca-Cola Company (The)	\$280,835,606,463	Jun/2024	\$0.80	8	7/26/2023	\$0.78
📈	TXN	Texas Instruments Incorporated	\$187,440,959,397	Jun/2024	\$1.16	10	7/25/2023	\$1.87
📈	DHR	Danaher Corporation	\$181,312,658,371	Jun/2024	\$1.58	10	7/25/2023	\$2.05
📈	GE	GE Aerospace	\$173,812,594,082	Jun/2024	\$0.98	5	7/25/2023	\$0.68
📈	PM	Philip Morris International Inc	\$167,052,691,566	Jun/2024	\$1.55	5	7/20/2023	\$1.60
📈	CMCSA	Comcast Corporation	\$157,494,349,566	Jun/2024	\$1.11	7	7/27/2023	\$1.13
📈	UPS	United Parcel Service, Inc.	\$123,850,713,167	Jun/2024	\$1.98	9	8/08/2023	\$2.54
📈	LMT	Lockheed Martin Corporation	\$114,210,556,544	Jun/2024	\$6.45	8	7/18/2023	\$6.73
📈	CB	Chubb Limited	\$108,690,359,915	Jun/2024	\$5.07	11	7/25/2023	\$4.92
📈	HCA	HCA Healthcare, Inc.	\$84,265,623,393	Jun/2024	\$4.97	9	7/27/2023	\$4.29
📈	SHW	Sherwin-Williams Company (The)	\$82,520,073,487	Jun/2024	\$3.51	8	7/25/2023	\$3.29
📈	MCO	Moody's Corporation	\$81,956,358,000	Jun/2024	\$3.02	8	7/25/2023	\$2.30
📈	CNI	Canadian National Railway Company	\$77,974,644,301	Jun/2024	\$1.42	10	7/25/2023	\$1.31
📈	FCX	Freeport-McMoran, Inc.	\$65,963,619,743	Jun/2024	\$0.38	6	7/20/2023	\$0.35
📈	PCAR	PACCAR Inc.	\$57,645,516,151	Jun/2024	\$2.14	8	7/25/2023	\$2.33
📈	SPOT	Spotify Technology S.A.	\$57,203,125,752	Jun/2024	\$1.12	8	7/25/2023	(\$1.69)
📈	COF	Capital One Financial Corporation	\$56,799,449,804	Jun/2024	\$3.28	7	7/20/2023	\$3.52
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📈	KMB	Kimberly-Clark Corporation	\$48,506,309,632	Jun/2024	\$1.68	6	7/25/2023	\$1.65
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📈	WDS	Woodside Energy Group Limited	\$37,424,357,986	Jun/2024		5	N/A	N/A
📈	CSGP	CoStar Group, Inc.	\$30,735,926,878	Jun/2024	\$0.04	3	7/25/2023	\$0.27
📉	NVR	NVR, Inc.	\$26,335,927,177	Jun/2024	\$121.65	4	7/25/2023	\$116.54
📈	PHM	PulteGroup, Inc.	\$26,250,695,702	Jun/2024	\$3.20	8	7/25/2023	\$3
📉	KB	KB Financial Group Inc	\$22,553,217,417	Jun/2024	\$2.70	1	7/25/2023	\$2.81
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📈	MANH	Manhattan Associates, Inc.	\$13,486,882,871	Jun/2024	\$0.66	4	7/25/2023	\$0.63
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📈	AOS	A.O. Smith Corporation	\$13,056,573,815	Jun/2024	\$1.06	6	7/27/2023	\$1.01
📈	ACI	Albertsons Companies, Inc.	\$11,449,993,957	May/2024	\$0.64	6	7/25/2023	\$0.89

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Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
TUESDAY, JULY 23						
12:55	USD Redbook Index (YoY) (Jul 19)		-	-	-	4.8%
14:00	USD Existing Home Sales (MoM) (Jun)		-	-	3.99M	4.11M
14:00	USD Existing Home Sales Change (MoM) (Jun)		-	-	-	-0.7%
14:00	USD Richmond Fed Manufacturing Index (Jul)		-	-	-7	-10
17:00	USD 2-Year Note Auction		-	-	-	-4.706%
20:30	USD API Weekly Crude Oil Stock (Jul 19)		-	-	0.7M	-4.44M
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Market Trading Update

Well, that didn't take long. As [we noted yesterday](#), small caps dominated the market last week. However, that changed on Monday, with the [?Mega-caps?�stocks](#) roaring back to life and volatility dropping sharply. Such is seen in the market's heat map.







TradingView

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Lithium Prices Languish

Mining.Com wrote a telling article about the state of lithium and lithium producers- [With no recovery in sight, lithium prices force miners to reevaluate output](#). The article talks about the growing glut of lithium in the market. The first graph below shows an expectation that the lithium supply will exceed the demand until 2029. As a result, lithium prices are declining alongside the share prices of lithium producers, as we share in the second and third graphs.

While the article depicts a case for lower lithium prices, it also points to an important factor that may argue against that. Specifically, as lithium prices fall, so does the profitability of lithium miners.

Consequently, they invest less in future production to help bring supply back into balance. Per the article:

A prolonged period of low lithium prices could trigger a renewed wave of mine supply cuts and project delays, said Alice Yu, the lead metals and mining research analyst at S&P Global Commodity Insights.

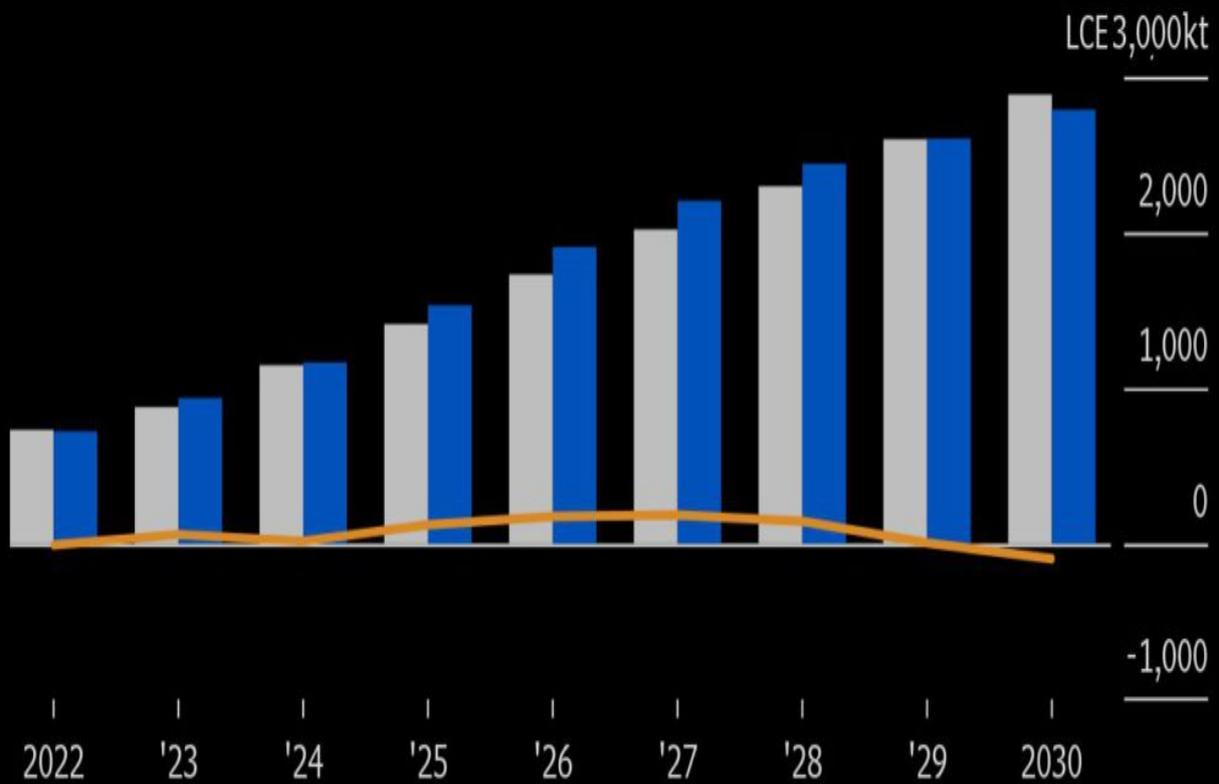
The article offers that coming earnings reports may guide how miners are reacting to the supply glut.

Clearer indications of the intentions of some top miners may be revealed in the coming weeks with the release of quarterly production reports or earnings. The insights from Pilbara Minerals Ltd., Mineral Resources Ltd., Albemarle Corp. and Arcadium Lithium Plc may provide clues on what the supply response might look like.

Lithium's Growing Glut

The battery material will only return to deficit by end of decade

Market Balance Demand Supply



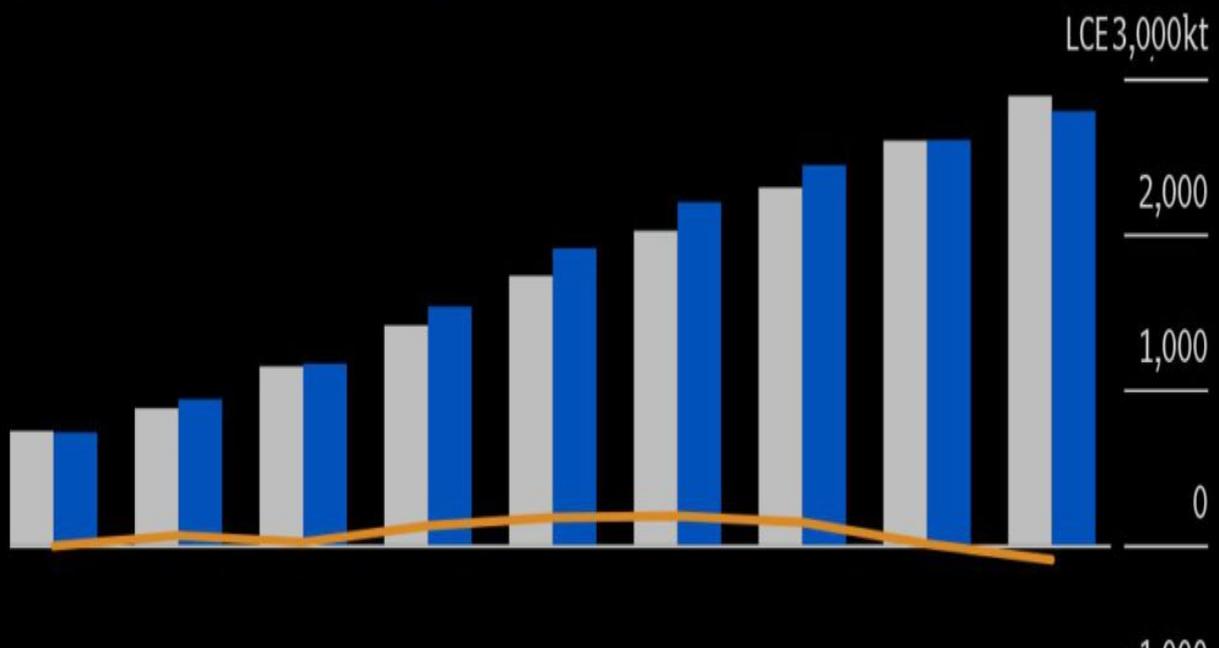
Source: Benchmark Mineral Intelligence

Bloomberg

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Lithium Prices Under Pressure

Spot prices of the battery material extended drop in China

■ Spot lithium carbonate prices in China



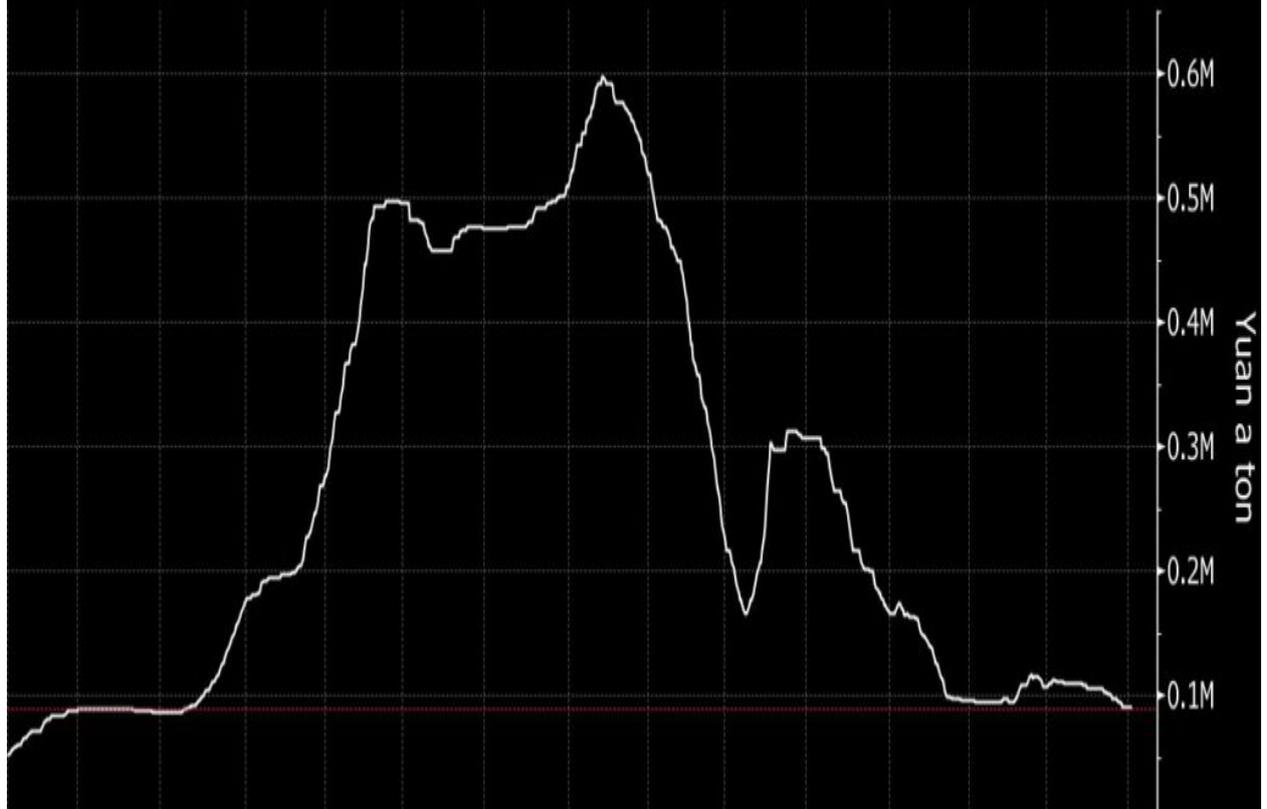
Source: Asian Metal Inc.

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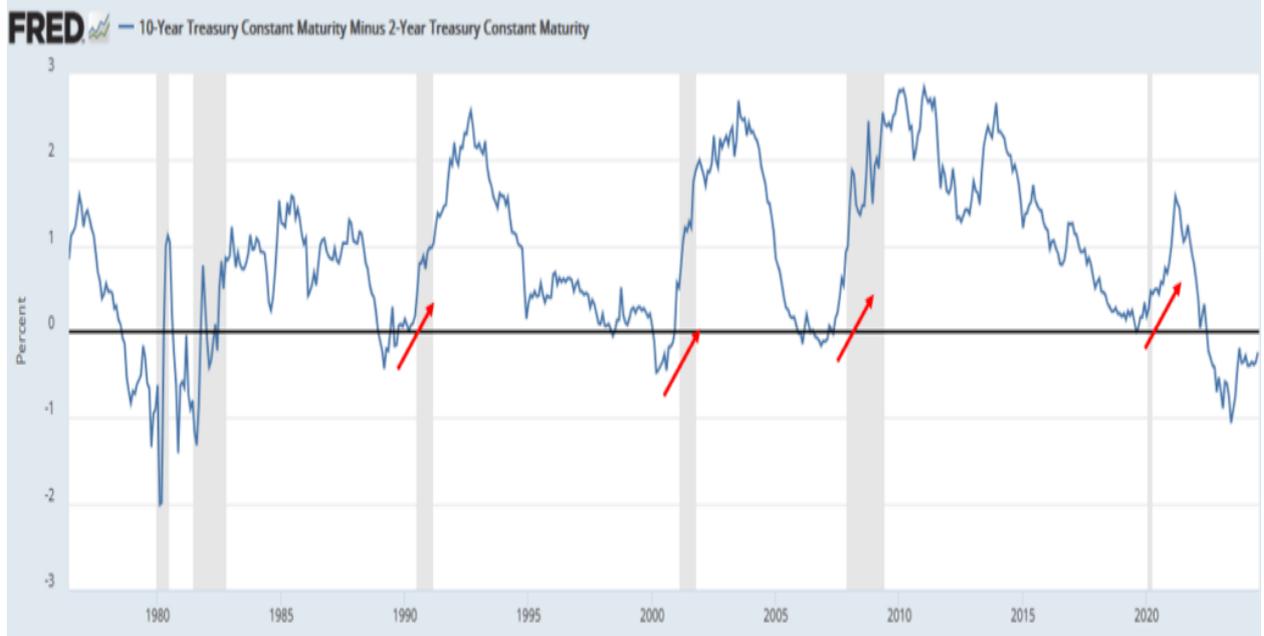




Yield Curve Update

The Treasury 2-10-year yield curve has been inverted for over two years. Such is the longest since at least 1975. The graph shows that the un-inversion of inverted yield curves preceded the last four recessions by 6-18 months. However, the uninversion coincided with the onset of the two prior recessions. The yield curve is off its lows but remains inverted near levels seen before the 1990, 2000, and 2008 recessions. Hence, we need to ask ourselves whether the yield curve will uninvert.

The answer is primarily dependent on the Fed. If the market starts pricing in more aggressive rate cuts and the Fed does indeed cut rates, the yield curve would most likely uninvert. Consequently, the Fed and investors would take the odds of a recession more seriously.



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Tech's outperformance has been highly correlated to its earnings vs. S&P 500 since the Tech Bubble

Exhibit 13: Tech's outperformance has been highly correlated to its earnings vs. S&P 500 since the Tech Bubble. Narrowing growth differentials should lead to the market broadening out

Nasdaq 100 vs. S&P 500 – earnings and performance (1998-6/24)



Source: BofA US Equity & Quant Strategy, FactSet

BofA GLOBAL RESEARCH



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