

MSFT And TSLA: Earnings Create Quite The Conundrum

An investor reading Microsoft's (MSFT) and Tesla's (TSLA) earnings summaries on Wednesday night would likely anticipate that MSFT shares would trade higher and Tesla shares lower. At the opening of the market the following day, the opposite held. MSFT opened up 4% lower, while TSLA was 4% higher. Let's summarize their respective earnings to see how sentiment, not fundamentals, plays a critical role in short-term stock performance.

MSFT opened 4% lower despite beating earnings and revenue estimates. Other than market sentiment regarding the impact of DeepSeek, investors are focusing on Azure, its cloud services division. This driver of marginal growth for MSFT grew by 31%, slightly less than last quarter's 34%. Also of note is that they expect CAPEX spending to grow by 52% in 2025. While that will hurt margins, it's an investment in the future and should be considered positive, given their investment track record.

TSLA rose 4% on the open despite weak earnings. They reported that revenues fell by 6%, and GAAP net income was down 53%. Notably, profits and revenues have been flat for over two years now. Moreover, some of their gains were due to an unrealized \$600 million increase in the value of their digital assets (crypto). While growth at TSLA appears to be dwindling, investors are enamored with Elon Musk. He said he expects TSLA to be larger than the top five companies by market cap combined. CAPEX at TSLA is expected to be similar to 2024 levels.

While earnings matter significantly in the long run, sentiment has the biggest short-term impact on share prices. MSFT is trading poorly largely because investors are concerned about DeepSeek's impact. Conversely, TSLA shares have extreme valuations as investors buy into Musk's growth forecasts.



What To Watch Today

Earnings

Friday Jan 31	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Exxon Mobil XOM.US		1.77	2.48		85.35B	95.42B	\$430.15B	Q4	AM
AbbVie ABBV.US		2.06	2.79		14.82B	14.3B	\$311.09B	Q4	AM
Chevron CVX.US		2.34	3.45		48.03B	47.18B	\$279.99B	Q4	AM
Colgate-Palmolive CL.US		0.90	0.87		5.03B	4.95B	\$73.57B	Q4	AM
Grainger GWW.US		9.77	8.33		4.25B	4B	\$55.77B	Q4	AM
Phillips 66 PSX.US		1.00	3.09		34.42B	36.64B	\$52.44B	Q4	AM
Charter Communications CH		9.29	7.07		13.88B	13.7B	\$51.74B	Q4	PM
Crown Castle International C		0.45	0.83		1.64B	1.67B	\$38.82B	Q4	AM
Broadridge Financial Solutions		1.44	0.92		1.57B	1.41B	\$27.89B	Q2	AM
Church & Dwight CHD.US		0.77	0.65		1.57B	1.53B	\$26.12B	Q4	AM
Booz Allen Hamilton BAH.US		1.51	1.41		2.86B	2.57B	\$16.57B	Q3	PM

Economy

Friday January 31 2025		Actual	Previous	Consensus	Forecast	
07:30 AM	US Core PCE Price Index MoM DEC		0.1%	0.2%	0.2%	
07:30 AM	US Personal Income MoM DEC		0.3%	0.4%	0.3%	
07:30 AM	US Personal Spending MoM DEC		0.4%	0.5%	0.5%	
07:30 AM	US Employment Cost - Benefits QoQ Q4		0.8%		0.7%	
07:30 AM	US Employment Cost - Wages QoQ Q4		0.8%		0.7%	
07:30 AM	US Employment Cost Index QoQ Q4		0.8%	0.9%	0.7%	
07:30 AM	US Fed Bowman Speech					
07:30 AM	US PCE Price Index MoM DEC		0.1%	0.3%	0.3%	
07:30 AM	US PCE Price Index YoY DEC		2.4%	2.6%	2.6%	
07:30 AM	US Core PCE Price Index YoY DEC		2.8%	2.8%	2.8%	
08:45 AM	US Chicago PMI JAN		36.9	40	37.2	

Market Trading Update ? To Buy NVDA Or Not?

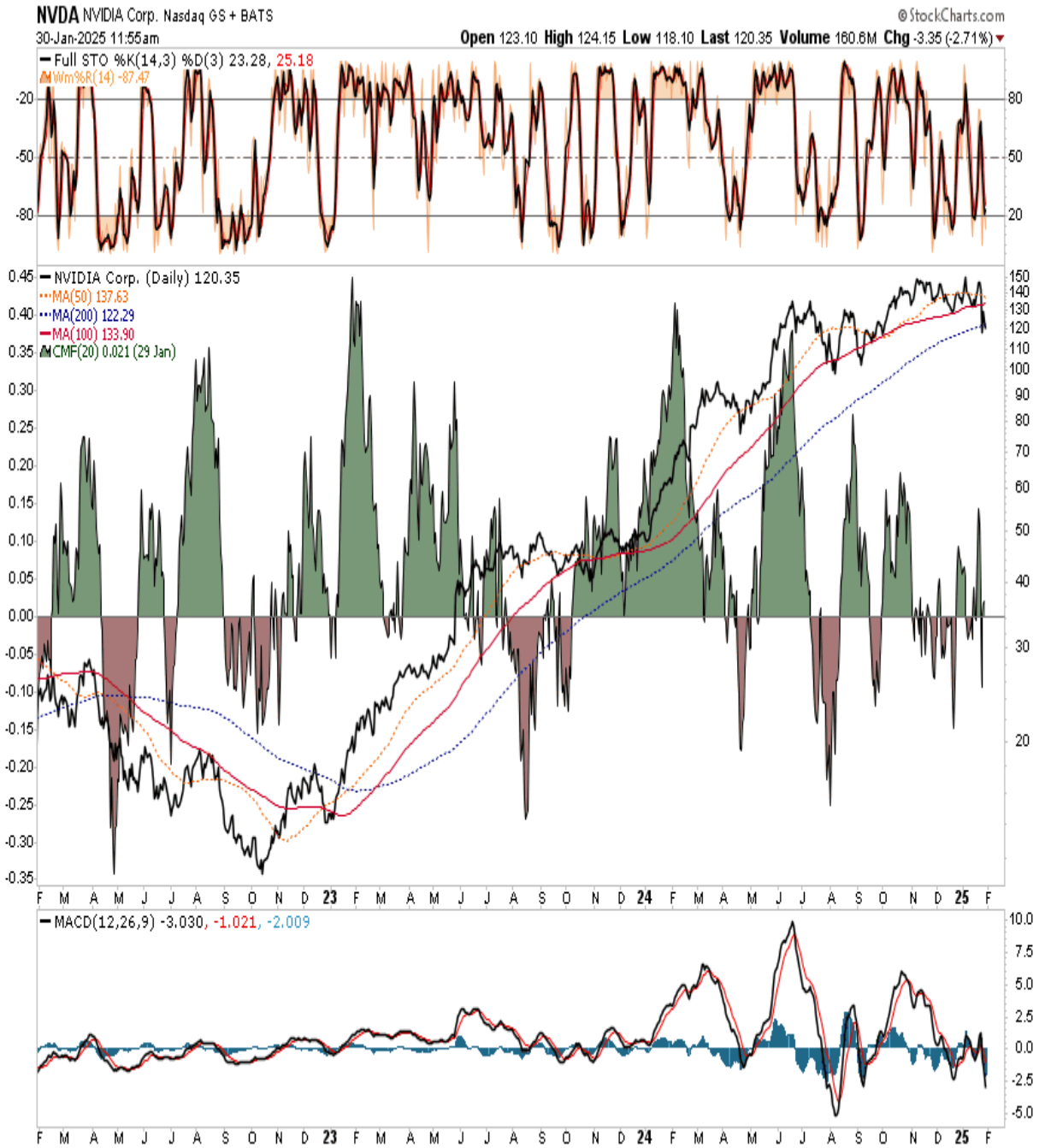
Yesterday, we addressed watching *money flows* into the market to help better determine when to increase or reduce overall market risk. We can apply the same to individual equities to help determine when, or in this case, even if, we should buy or add to an existing position.

Over this past week, Nvidia (NVDA) has come under fire over threats by DeepSeek to its core A.I. business of selling the GPUs needed to support future development, growth, and data centers. To be honest, I don't have that answer with certainty. However, we hold a long position in NVDA and now need to determine if the recent decline is a *buy the dip?*

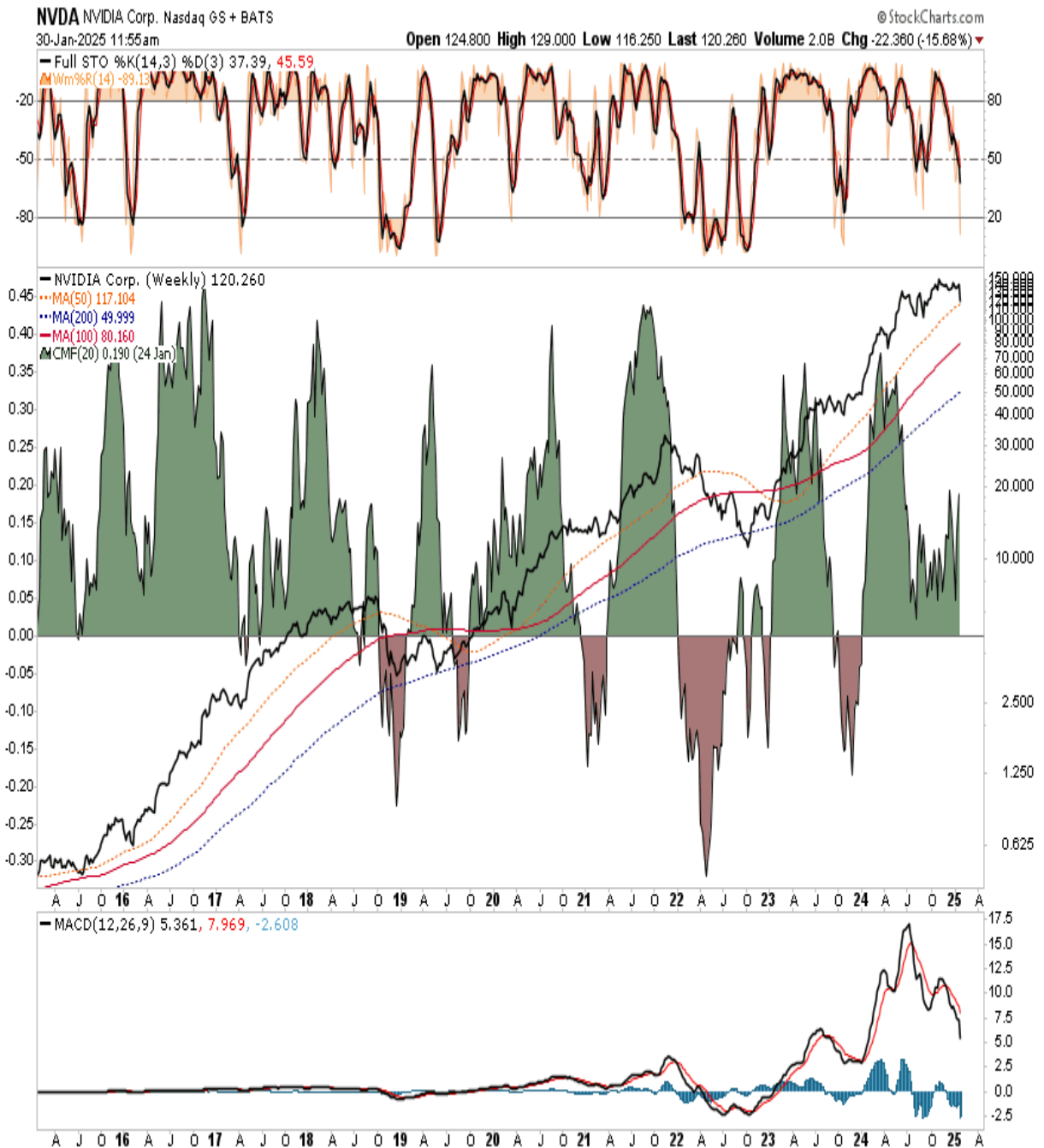
moment or a change that suggests reducing the position in the portfolio. For that analysis, we need to revert to some price analysis to try and determine our near-term and longer-term risks.

Starting with a daily technical chart, NVDA is getting oversold on multiple levels and is testing support at the 200-DMA. While the recent selloff was notable, money flows continue to remain positive for the moment. Notably, previous deep oversold conditions have led to short-term reflexive bounces that provided a better exit point to reduce or exit current holdings. As such, while

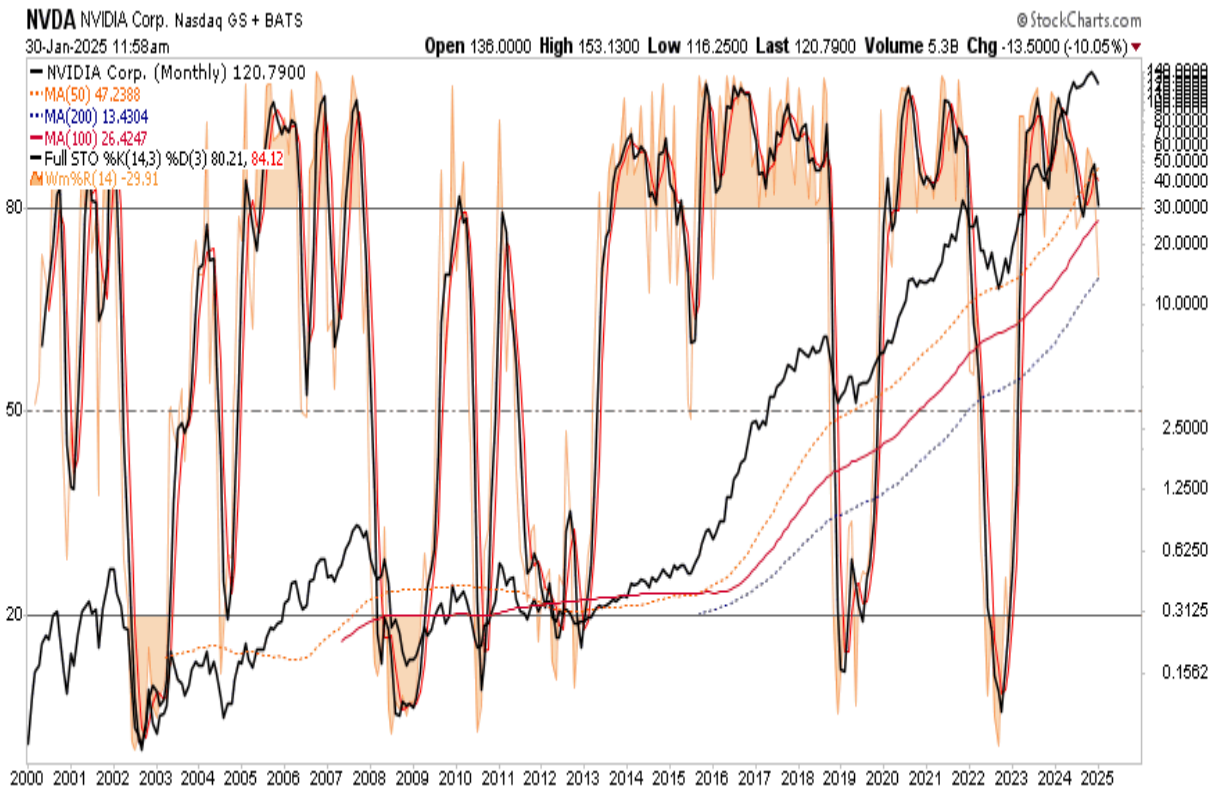
near-term volatility may be nauseating, some patience will likely allow for a better point to rebalance risks in NVDA.



Using weekly data gives us a little more context. While the short-term analysis is deeply oversold, the intermediate analysis suggests that NVDA may need to consolidate or correct further before a better long-term entry point is available. In other words, holding NVDA may be *dead money*? until more holders are washed out of their positions. The long-term analysis further confirms this.



The monthly data shows the current extreme overbought condition in NVDA. Historically, such overbought conditions were resolved through long consolidation and reversion processes. This time is unlikely to be different, suggesting that the next entry point could be closer to \$50/share, substantially lower than current levels. While we are not saying with certainty that NVDA will drop to such levels, there is a risk it could. As seen previously, we will most likely see a long period of very choppy and volatile action that eventually exhausts buyers.



Notably, as pointed out by TheMarketEar, be careful suggesting that the recent decline is anything more than a reversion of massively overbought conditions. The past five times, the stock went down a lot; it was a massive buying opportunity if you had staying power for at least one year.

?This was Nvidia?s third worst daily decline since 2014 (i.e., since the start of the US Big Tech?s slow-motion takeover of the S&P 500), so let?s put that move in historical context. Here?s a table of NVDA?s 5 worst daily declines since 2014 (excluding the Pandemic Crisis), as well as their 1-month, 3 month, and 1-year forward returns?

Forward Returns				
	Returns	1-Month	3-Months	1-Year
11/16/18	-18.8%	-15.8%	-5.3%	26.5%
1/28/19	-13.8%	12.6%	29.9%	79.7%
11/19/18	-12.0%	-6.6%	10.0%	45.9%
4/19/24	-10.0%	24.4%	62.1%	55.4%
<u>10/24/18</u>	<u>-9.8%</u>	<u>-27.3%</u>	<u>-30.8%</u>	<u>2.6%</u>
Average	-12.9%	-2.5%	13.2%	42.0%

While we currently own a small portfolio position in NVDA and have bought and sold pieces of it many times over the last few years, we will likely use a rally to reduce the position and evaluate its future potential. Once NVDA finds its footing, we can increase our portfolio weighting again.



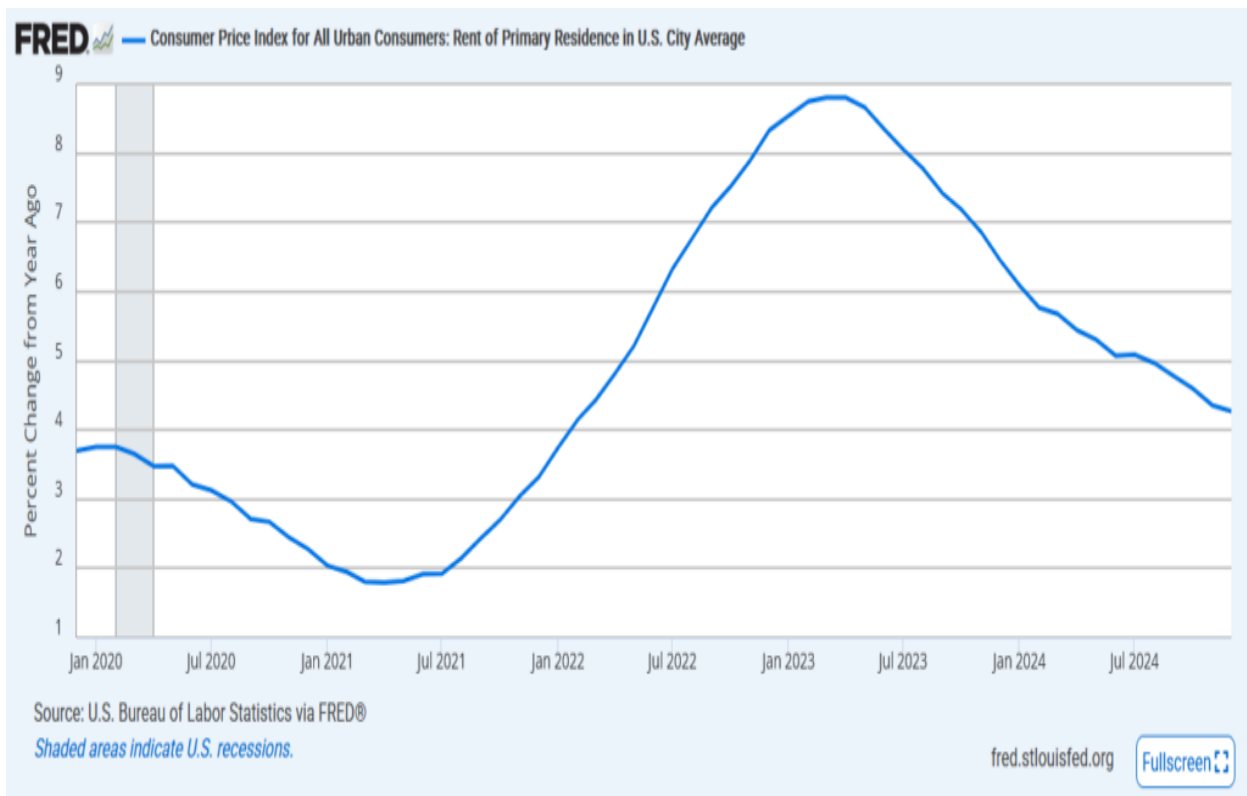
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CoreLogic Confirms What We Knew

We often discuss the lag between the CPI shelter and market-based rent prices. At 36% of CPI, lagging rent data is critical to assess. While most market based rental data shows near zero inflation, CoreLogic was still showing more substantial rent price growth. However, its recent [update](#) shows a catch-down to other market data services. Per CoreLogic:

*Single-family annual rent growth slowed in November to the **lowest rate in about 14 years**. Wage growth outpaced single-family rent growth for much of the past two years which kept rent growth in positive territory*

CoreLogic claims rent growth is now 1.5%. Other services are flat to negative. The truth probably lies in the middle. CPI rent, shown below, is still over 4%, although recent annualized monthly readings have fallen to a range of 2.5% to 3.5%. Again, when CPI catches up to CoreLogic and the other data, CPI will close in on the Fed's 2% goal.



UPS Tumbles

UPS fell by over 15% on Thursday, sending its shares to levels last seen in early 2020. Their earnings report is the culprit, although its current earnings are decent. EPS was well above estimates at \$2.75. Revenue fell a hair short of estimates. Some concern is warranted as they reduced their revenue estimate by a little over 5% for 2025. However, the likely culprit behind the steep decline is an agreement with Amazon to reduce 50% of its shipping volume by the end of 2026.

The question is whether the market has already priced in the Amazon news. To that end, its forward P/E is down to 11. Its PEG is 1.38, and its Price to Sales ratio is 1.04. Lastly, it now boasts a dividend yield of 6%. Some may say it is now a value stock. That may be the case if management can deliver on some of its promises to shareholders.



Tweet of the Day



Lance Roberts @LanceRoberts · 4m



This is the year of the Snake.....and so was 1929 and 2001. Just saying....

Chinese new year elements and animals 1924 to 2043

Rat	1924	1936	1948	1960	1972	1984	1996	2008	2020	2032
	Yang Wood	Yang Fire	Yang Earth	Yang Metal	Yang Water	Yang Wood	Yang Fire	Yang Earth	Yang Metal	Yang Water
Ox	1925	1937	1949	1961	1973	1985	1997	2009	2021	2033
	Yin Wood	Yin Fire	Yin Earth	Yin Metal	Yin Water	Yin Wood	Yin Fire	Yin Earth	Yin Metal	Yin Water
Tiger	1926	1938	1950	1962	1974	1986	1998	2010	2022	2034
	Yang Fire	Yang Earth	Yang Metal	Yang Water	Yang Wood	Yang Fire	Yang Earth	Yang Metal	Yang Water	Yang Wood
Rabbit	1927	1939	1951	1963	1975	1987	1999	2011	2023	2035
	Yin Fire	Yin Earth	Yin Metal	Yin Water	Yin Wood	Yin Fire	Yin Earth	Yin Metal	Yin Water	Yin Wood
Dragon	1928	1940	1952	1964	1976	1988	2000	2012	2024	2036
	Yang Earth	Yang Metal	Yang Water	Yang Wood	Yang Fire	Yang Earth	Yang Metal	Yang Water	Yang Wood	Yang Fire
Snake	1929	1941	1953	1965	1977	1989	2001	2013	2025	2037
	Yin Earth	Yin Metal	Yin Water	Yin Wood	Yin Fire	Yin Earth	Yin Metal	Yin Water	Yin Wood	Yin Fire
Horse	1930	1942	1954	1966	1978	1990	2002	2014	2026	2038
	Yang Metal	Yang Water	Yang Wood	Yang Fire	Yang Earth	Yang Metal	Yang Water	Yang Wood	Yang Fire	Yang Earth
Goat	1931	1943	1955	1967	1979	1991	2003	2015	2027	2039
	Yin Metal	Yin Water	Yin Wood	Yin Fire	Yin Earth	Yin Metal	Yin Water	Yin Wood	Yin Fire	Yin Earth
Monkey	1932	1944	1956	1968	1980	1992	2004	2016	2028	2040
	Yang Water	Yang Wood	Yang Fire	Yang Earth	Yang Metal	Yang Water	Yang Wood	Yang Fire	Yang Earth	Yang Metal
Rooster	1933	1945	1957	1969	1981	1993	2005	2017	2029	2041
	Yin Water	Yin Wood	Yin Fire	Yin Earth	Yin Metal	Yin Water	Yin Wood	Yin Fire	Yin Earth	Yin Metal
Dog	1934	1946	1958	1970	1982	1994	2006	2018	2030	2042
	Yang Wood	Yang Fire	Yang Earth	Yang Metal	Yang Water	Yang Wood	Yang Fire	Yang Earth	Yang Metal	Yang Water
Pig	1935	1947	1959	1971	1983	1995	2007	2019	2031	2043
	Yin Wood	Yin Fire	Yin Earth	Yin Metal	Yin Water	Yin Wood	Yin Fire	Yin Earth	Yin Metal	Yin Water

@neilkaye

?Want to achieve better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.](#)?

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