New Tariffs Torpedo Global Markets

Investors woke up Monday morning to a sea of red. On Friday, after the markets had closed for the weekend, President Trump announced a new series of tariffs levied against Mexico, Canada, and China. Moreover, he threatened that those tariffs could increase and that new tariffs would be announced for the Euro-region. Cryptocurrencies, technology, and the currency markets took the brunt of the initial selling reaction. For our latest thoughts on the tariffs, please check out Monday?s Real Investment Advice Show- Tariff Trouble.

The dollar index soared by $1.50, while the Canadian dollar, Euro, Peso, and Yen fell by similar amounts. In 2018, when Trump tariffs 1.0 were announced, the dollar index rose by nearly 10% throughout the year. Since early October, when the odds of Trump winning the presidency rose, the dollar index is up about 10%.

Cryptocurrencies fared the worst. While some may think an alternative currency might do well in such an environment, the fact of the matter is that cryptocurrencies are trading much more with a speculative bias. Of note on Sunday night was Ethereum. As we share below, it fell by over 25%. Furthermore, its price has been cut in half since early December. Bitcoin fared better but opened down 10% Monday morning.

The S&P 500 and Nasdaq fell over 2% on the news. Selling was widespread across all sectors, but the tech sector took the brunt of the hit. NVDA, which has been under pressure, opened about 5% lower. Bonds and oil were among the few assets that benefited from the tariffs. The long end of the Treasury curve fell about 5bps in yield, while shorter maturities rose slightly.

What To Watch Today

Earnings

Tuesday Feb 4	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Alphabet GOOG:US		2.12	1.64		96.69B	86.31B	$1.17T	Q4	PM
Merck MRK:US		1.81	0.03		15.47B	14.6B	$250.2B	Q4	AM
PepsiCo PEP:US		1.95	1.78		27.95B	27.85B	$207B	Q4	PM
Advanced Micro Devices AMI		1.08	0.77		7.54B	6.2B	$188.23B	Q4	PM
Amgen AMGN:US		5.04	4.71		8.85B	8.2B	$153.2B	Q4	AM
Pfizer PFE:US		0.48	0.10		17.28B	14.25B	$150.06B	Q4	PM
KKR KKR:US		1.31	1.00		1.95B	1.63B	$147.86B	Q4	AM
Apollo Global Management /		1.92	1.91		963.34M	11.05B	$96.74B	Q4	AM
PayPal PYPL:US		1.12	1.48		8.28B	8B	$94.96B	Q4	AM
Chipotle Mexican Grill CMG:U		0.24	10.36		2.85B	2.52B	$79.47B	Q4	AM
Mondelez International MDLZ		0.68	0.84		9.72B	9.32B	$78.18B	Q4	PM
TransDigm TDG:US		7.64	7.16		2.02B	1.79B	$75.17B	Q1	PM
Regeneron Pharmaceuticals		11.27	11.86		3.76B	3.43B	$73.88B	Q4	PM
Enterprise Products Partner		0.71	0.72		14.24B	14.62B	$70.77B	Q4	PM
Simon Property SPG:US		1.82	2.29		1.41B	1.53B	$56.6B	Q4	PM
MPLX MPLX:US		1.03	1.10		3B	2.97B	$52.57B	Q4	AM
Marathon Petroleum MPC:US		0.62	3.98		33.23B	36.82B	$52.44B	Q4	PM
Cummins CMI:US		4.71	4.14		8.08B	8.5B	$48.87B	Q4	PM
Fair Isaac FICO:US		6.08	4.81		451.42M	382M	$45.65B	Q1	PM
Ametek AME:US		1.85	1.68		1.82B	1.73B	$42.72B	Q4	AM
Gartner IT:US		3.26	3.04		1.69B	1.6B	$42.34B	Q4	AM
Centene CNC:US		0.51	0.45		39.28B	39.46B	$32.3B	Q4	PM
Electronic Arts EA EA:US		3.43	1.07		2.52B	2.37B	$32.26B	Q3	PM
WEC Energy WEC:US		1.47	1.10		2.56B	2.22B	$31.36B	Q4	AM
Xylem XYL:US		1.13	0.99		2.18B	2.1B	$30.01B	Q4	PM
Estée Lauder EL:US		0.31	0.88		3.98B	4.28B	$29.98B	Q2	PM

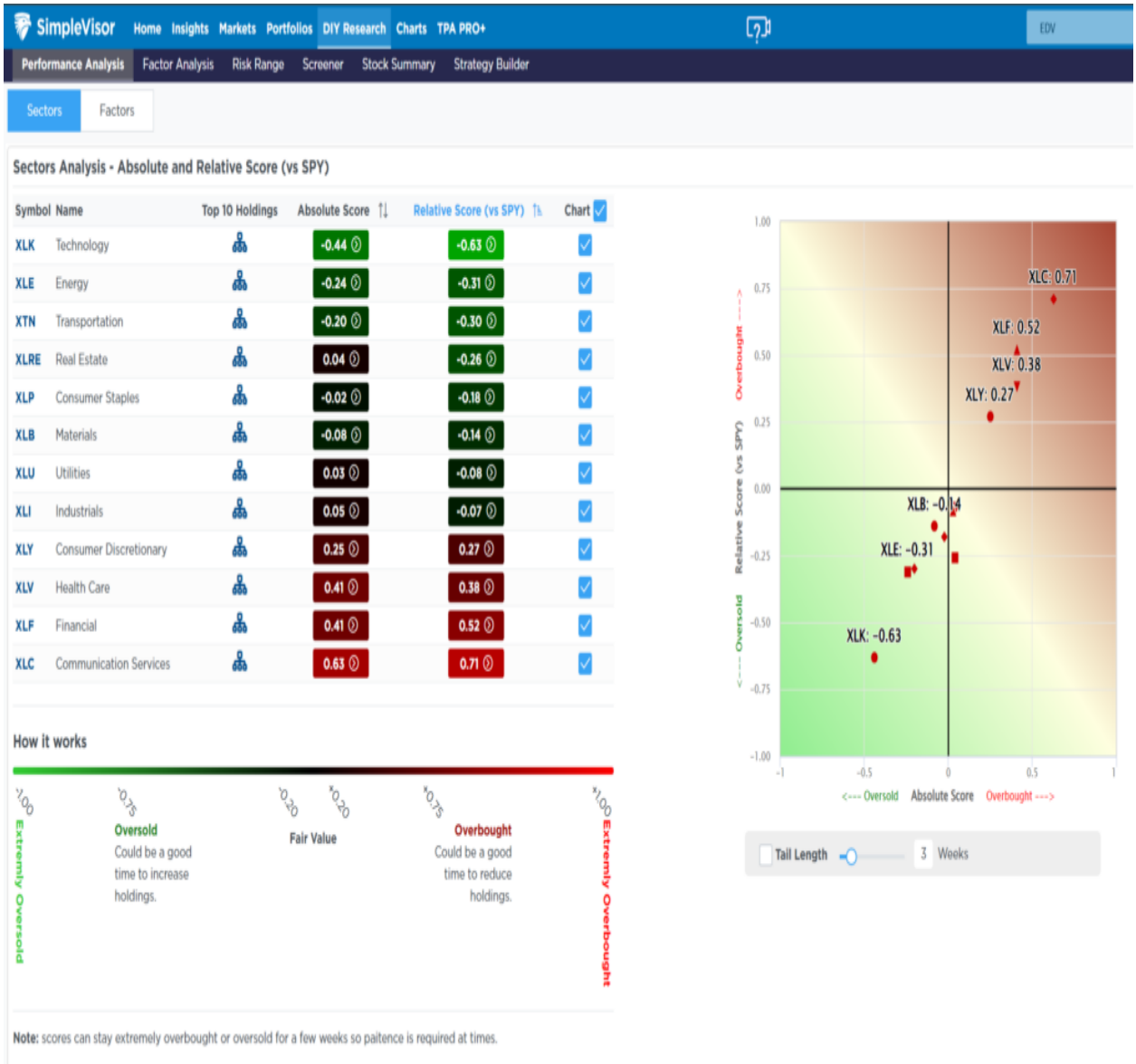
Economy

Tuesday February 04 2025			Actual	Previous	Consensus	Forecast
07:55 AM	US	Redbook YoY FEB/01		4.9%		
09:00 AM	US	JOLTs Job Openings DEC		8.098M	8M	7.8M
09:00 AM	US	Factory Orders MoM DEC		-0.4%	-0.8%	-0.7%
09:00 AM	US	Factory Orders ex Transportation DEC		0.2%		0.6%
09:00 AM	US	JOLTs Job Quits DEC		3.065M		3.1M
09:10 AM	US	RCM/TIPP Economic Optimism Index FEB		51.9	53.0	52.3
10:00 AM	US	Fed Bostic Speech				

Market Trading Update

The good news about recent volatility in the market is that it has reversed much of the previously aggressive overbought conditions. Furthermore, the selloff in some market sectors was very aggressive, setting up a reversal trade in the weeks ahead. For example, one piece of analysis we discuss each week in the ***#BullBearReport*** is the relative performance of the major market sectors. *(We track this data in real-time for investors at* ***SimpleVisor.com)***

Technology is currently the most oversold sector after being one of the most overbought just four weeks ago. That selloff has pushed many companies in that sector into more deeply oversold conditions. Conversely, Communication remains extremely overbought, potentially setting up a market rotation in the weeks ahead as investors look to *?buy the dip?* in Technology.



As noted, the companies related to *?artificial intelligence?* are among the most oversold in the sector?s top 10 holdings. While there is no guarantee that the market will start pricing in more optimistic views, historically, it is a decent bet that money will find its way into more hated areas of the market as *?weak hands get wrung out.?*

Conclusion

From a short-term technical view, despite headlines about *?Deepseek?* or *?Tariffs,?* the market holds support at important levels. Furthermore, money flows remain positive while the market continues a lengthy consolidation process. As shown, the market has remained range-bound for the last two months, which has worked off some of the overbought conditions. The bullish trend remains firmly intact, and despite media headlines to the contrary, there is no evidence of a bearish breakdown currently.

That does not mean that things won?t change in the future. However, using media headlines to make portfolio decisions has repeatedly turned out poorly. If the recent market volatility is weighing on you, and you *?feel?* you must *?do something,?* take very small steps.

1. ***Tighten up stop-loss levels****&#2013266080;to current support levels for each position.*
2. ***Hedge portfolios****&#2013266080;against major market declines.*
3. ***Take profits****&#2013266080;in positions that have been big winners*
4. ***Sell laggards****&#2013266080;and losers*
5. ***Raise cash****&#2013266080;and rebalance portfolios to target weightings.*

As we saw on Monday, taking small steps to reduce portfolio risk now can help you weather sharp market events. Remembering that portfolio management is not an&#2013266080;?all or none?&#2013266080;process is crucial. It is about positioning yourself to minimize emotional decisions so you can find the *?opportunity that exists in crisis.?*

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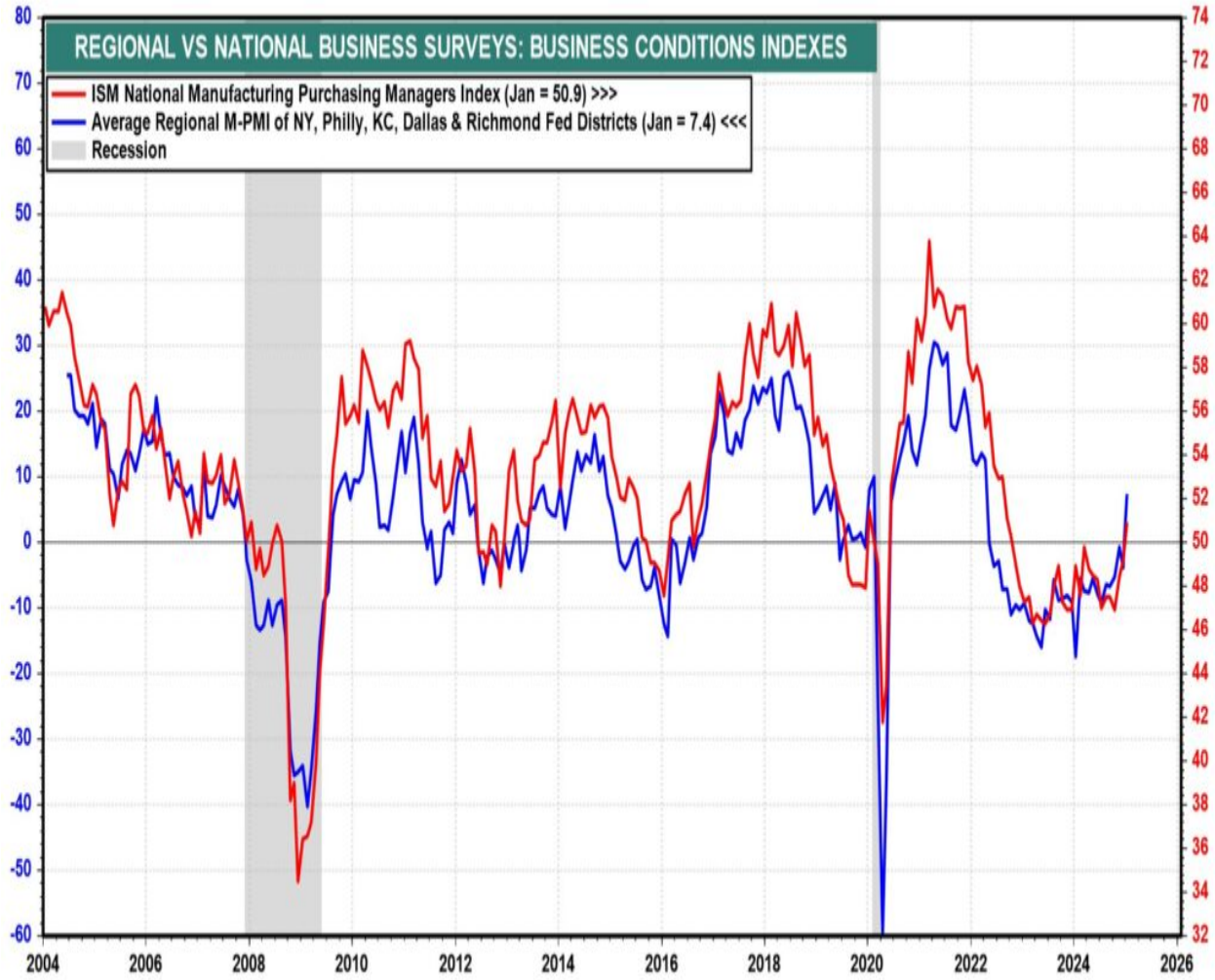
ISM Manufacturing Is Expanding Finally!

The ISM Manufacturing survey rose above 50 for the first time in two years, signaling economic expansion for the manufacturing sector. New orders, a good indicator of future activity, rose from 52.1 to 55.1. Prices paid and employment were also higher. The question worth asking is whether the manufacturing expansion is genuine or the result of pushing orders forward to avoid probable tariffs.

The other consideration is that the economy did just fine over the last two years despite the sector being in a recession. ISM services account for nearly 80% of economic activity. Therefore, its release on Wednesday will be critical for forecasting economic growth.

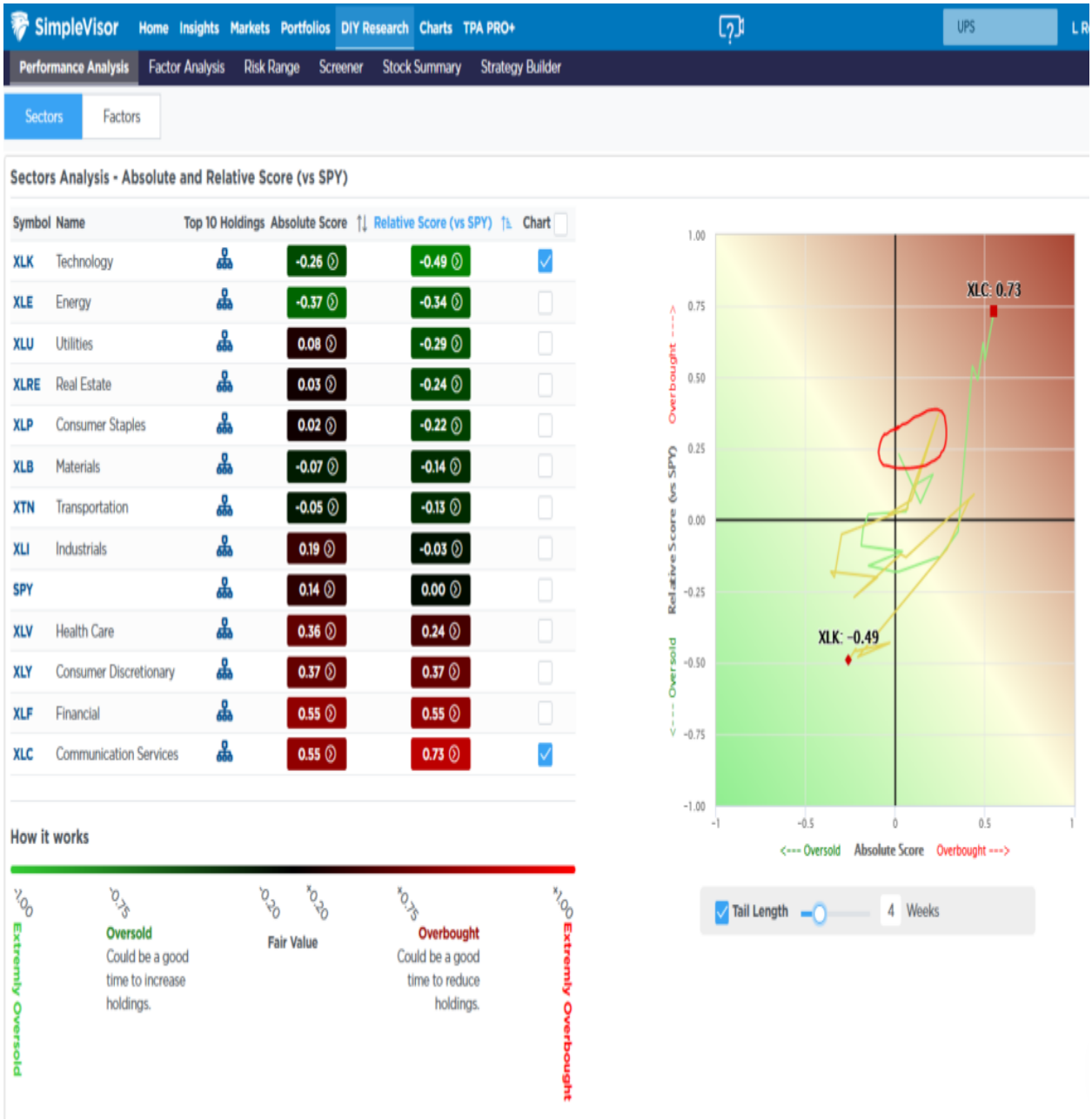


Source: LSEG Datastream and © Yardeni Research. Institute for Supply Management (ISM) and Federal Reserve banks of New York, Philadelphia, Kansas City, Dallas and Richmond.

Technology and Communications Rotate In Opposite Directions

The SimpleVisor relative and absolute analysis, as shown below, uses many technical indicators to assign whether each sector or stock factor is overbought or oversold. Some of these technical indicators are short-term, and others are medium-term. Thus, recent volatility will have a bigger impact on the shorter ones. The point is that the relative and absolute scores may be volatile as the markets rotate between sectors frequently.

The technology sector is now the most oversold, while communications is the most overbought. Both sectors are significantly impacted by a few large contributors, as shown in the second set of graphics. For instance, Microsoft and Nvidia weigh on technology, while Meta and Google are outperforming.



Communication Services Analysis - Absolute and Relative Score (vs SPY)

Symbol	Name	Holding	Absolute Score	Relative Score (vs SPY)
CMCSA	Comcast Corp Class A	4.47%	-0.80	-0.72
VZ	Verizon Communications Inc	4.51%	-0.18	-0.35
TTWO	Take-Two Interactive Software Inc	4.57%	0.17	0.14
DIS	The Walt Disney Co	4.60%	0.29	0.20
TMUS	T-Mobile US Inc	4.46%	0.39	0.37
T	AT&T Inc	4.59%	0.36	0.38
GOOG	Alphabet Inc Class C	8.76%	0.72	0.58
GOOGL	Alphabet Inc Class A	10.69%	0.72	0.58
NFLX	Netflix Inc	6.79%	0.71	0.69
META	Meta Platforms Inc Class A	18.59%	0.87	0.87

Technology Analysis - Absolute and Relative Score (vs SPY)

Symbol	Name	Holding	Absolute Score	Relative Score (vs SPY)
MSFT	Microsoft Corp	12.77%	-0.37	-0.66
NVDA	NVIDIA Corp	13.42%	-0.50	-0.59
NOW	ServiceNow Inc	2.34%	-0.40	-0.43
AAPL	Apple Inc	15.42%	0.06	-0.01
ORCL	Oracle Corp	2.87%	0.09	-0.01
AVGO	Broadcom Inc	5.84%	0.16	0.16
CRM	Salesforce Inc	3.42%	0.34	0.23
CSCO	Cisco Systems Inc	2.53%	0.15	0.25
IBM	International Business Machines Corp	2.18%	0.79	0.80
ACN	Accenture PLC Class A	2.35%	0.78	0.82

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