

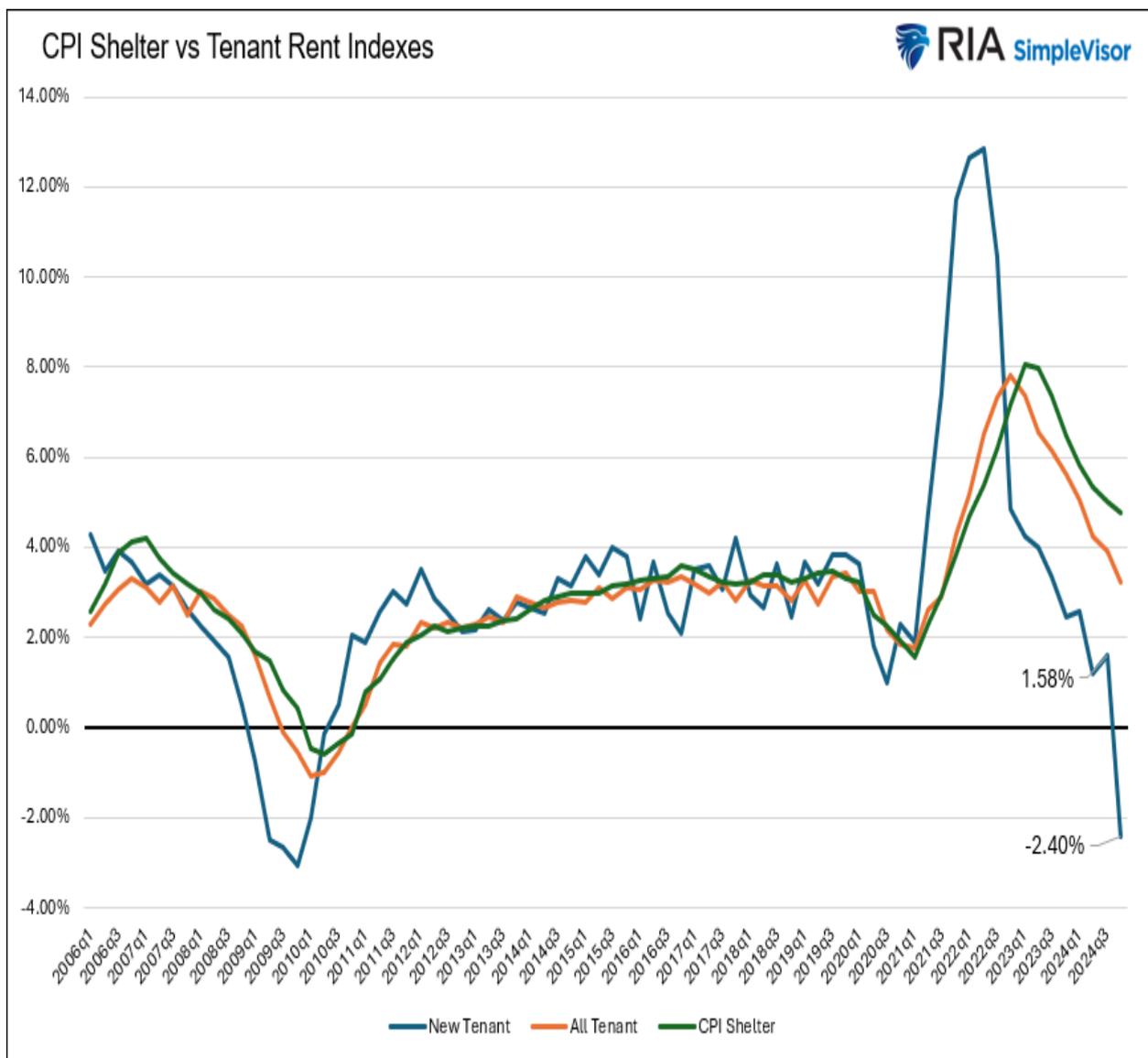


New Tenant Rent Prices Plummet

The latest BLS and Cleveland Fed release of their quarterly new tenant rent index was lower by 2.43% year over year and over 5% from the prior quarter. The sharp rate of decline was surprising. Moreover, the update gives us more confidence that inflation is heading toward the Fed's 2% target.

Unlike CPI shelter prices, which measure rental prices of all rental contracts (those just signed and those that have been outstanding for months or even years), the new tenant rent index only measures recently signed rental agreements. Thus, the new tenant index is the best measure of current rental prices. The difference in data collection causes CPI shelter and the all-tenant rent index to lag significantly behind the new tenant rent index. Only approximately 5% of rents are renewed monthly.

Our graph below charts the new and all tenant rent indexes alongside CPI shelter prices. As shown, the all tenant rent and CPI indexes are closely aligned to each other. Moreover, they are well correlated to the new tenant index, albeit with a multi-quarter lag. The takeaway is that we should expect all tenant rent and CPI shelter prices to continue declining in the coming quarters. Accordingly, CPI shelter, accounting for 35% of CPI, should trend lower and push down the broader CPI index. �



What To Watch Today

Earnings

Friday Jan 24	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
American Express AXP.US		3.02	2.62		17.14B	15.8B	\$226.32B	Q4	AM ★
Verizon VZ.US		1.09	1.08		35.35B	35.1B	\$162.79B	Q4	PM ★
NextEra Energy NEE.US		0.53	0.52		8.11B	6.88B	\$143.16B	Q4	PM ★
HCA HCA.US		6.14	5.90		18.23B	17.3B	\$83.74B	Q4	PM ★
First Citizens Bancshares FCN		39.13	46.58		2.27B	2.45B	\$28.97B	Q4	AM ★
Lakeland Financial LKFN.US		0.90	0.98		62.49M	65.81M	\$1.77B	Q4	AM ★
Northwest Bancshares NWBL.US		0.25	0.23		141.54M	135.5M	\$1.68B	Q4	AM ★
Nextera Energy Partners NEP.L		0.71	-0.35		288.59M	232M	\$1.53B	Q4	PM ★

Economy

Friday January 24 2025			Actual	Previous	Consensus	Forecast		
08:45 AM	US	S&P Global Composite PMI Flash JAN		55.4		55.3		
08:45 AM	US	S&P Global Manufacturing PMI Flash JAN		49.4	49.6	49.6		
08:45 AM	US	S&P Global Services PMI Flash JAN		56.8	56.5	56.6		
09:00 AM	US	Existing Home Sales DEC		4.15M	4.19M	4.1M		
09:00 AM	US	Existing Home Sales MoM DEC		4.8%		0.3%		
09:00 AM	US	Michigan Consumer Sentiment Final JAN		74.0	73.2	73.2		
09:00 AM	US	Michigan 5 Year Inflation Expectations Final JAN		3%	3.3%	3.3%		
09:00 AM	US	Michigan Consumer Expectations Final JAN		73.3	70.2	70.2		
09:00 AM	US	Michigan Current Conditions Final JAN		75.1	77.9	77.9		
09:00 AM	US	Michigan Inflation Expectations Final JAN		2.8%	3.3%	3.3%		

Market Trading Update

Yesterday, we discussed the market sentiment that has supported much of the recent rally from the 100-DMA. Notably, much of the market sentiment is based on hopes of continued economic expansion for the year. However, since we are in the middle of Q4 earnings season, it is interesting to note that estimates have slid sharply over the last year despite consistently higher market prices.

As noted by BofA yesterday:

?Q4 US earnings expectations have been cut meaningfully. The year-over-year growth rate is now down to 8% vs 18% at one point last year. The S&P 500 EPS level for Q4 is below what it was in Q3.?

Analysts Estimates For Q4 - 2024 Over Time

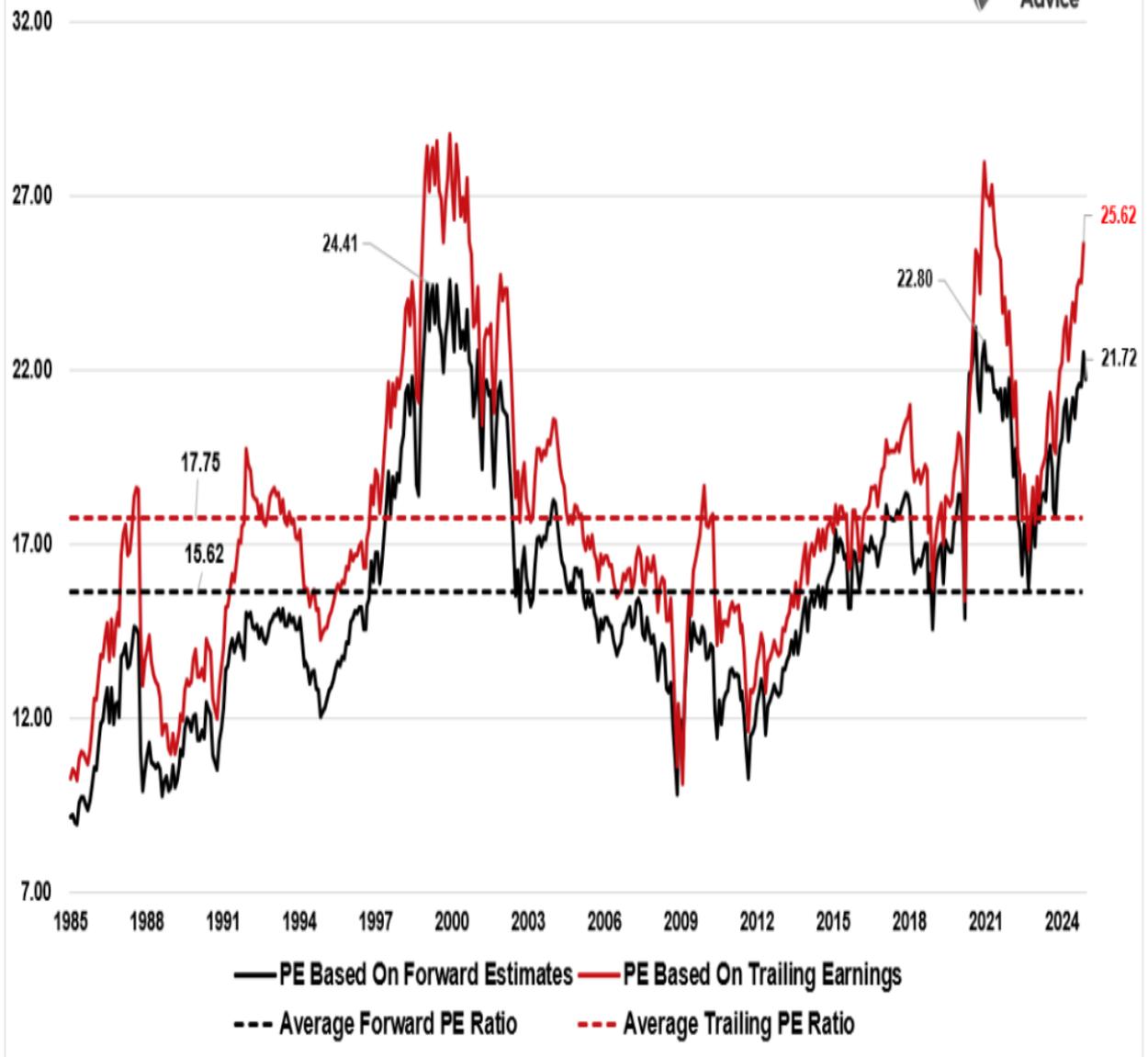


?The global earnings revision ratio fell from 0.81 to 0.72 in January due to softer earnings expectations across most regions and global sectors. The lower ratio signals a less optimistic outlook for global earnings. **Historically, when the global ratio was near current levels and declining, global equity markets averaged a +5.4% return over the following 12 months.?**



Of course, this is why trailing valuations continue to push towards *dot.com* levels. Even forward operating earnings, the most optimistic outlook, are also not far off of *dot.com* levels. Such does not mean that the market is about to crash, but it suggests that forward returns are likely more challenging, particularly given the underlying earnings dynamics.

Valuations Based On Forward & Trailing Operating EPS



On a weekly basis, the market remains confined to a bullish trend. Despite the recent correction that reversed the previous overbought condition and bullish sentiment, the technical trend remains intact. A breakout to new highs will set the markets up for further gains, but after a very sharp rally, some consolidation is likely. Continue to manage risk and trade accordingly.



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They Came For Tyson And Stayed For Squid Games

Netflix (NFLX) shares rose 10% on much better-than-expected earnings. As the title eludes, Netflix saw a jump in subscribers due to the airing of the Mike Tyson ? Jake Paul boxing match, but Netflix reports many of those subscribers stayed. While they claim the economics of providing live sports content doesn't make sense, they have other ideas to help grow revenue. For instance, the CEO mentioned they are going after YouTube and TickTock by offering short videos. Again, the goal appears to be getting the younger generation to subscribe for the videos and hook them on their extensive content library. Similarly, they are adding gaming and have a license agreement with Grand Theft Auto. Market share gains appear to be Netflix's growth strategy as we advance. Per Netflix:

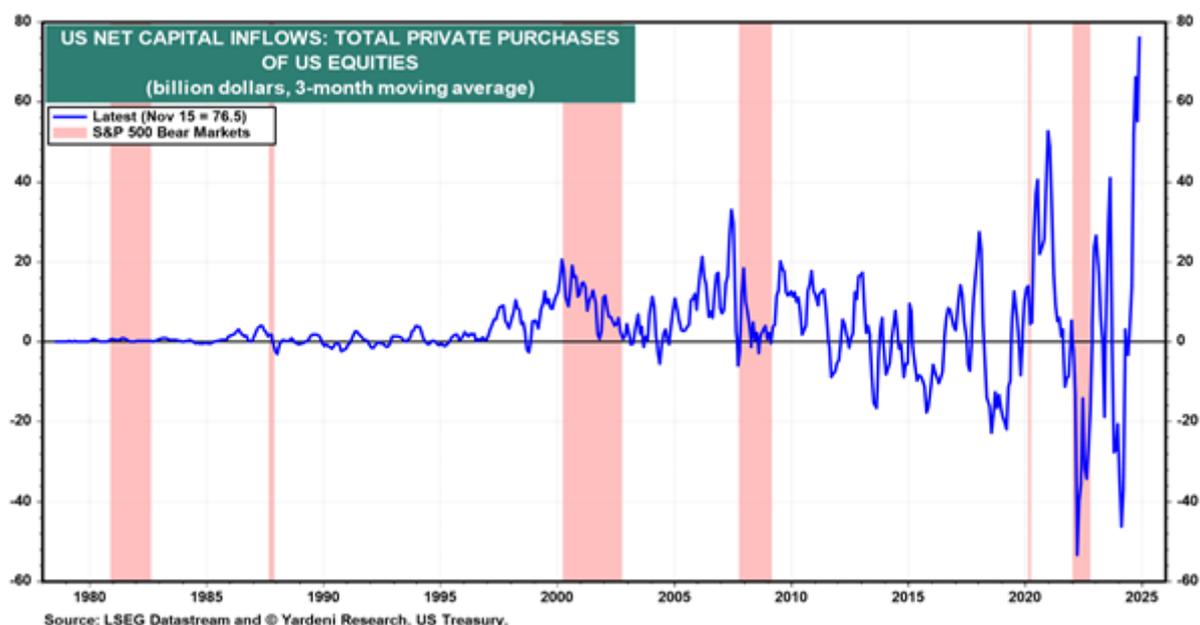
Overall, we only have 6% of the content revenue in the markets we operate, so we have a lot of room to grow as we take market share. Then, we will snowball and continue to take that revenue to spend on new content so that the quality and quantity of our content continue to accelerate. We did a good job of balancing that in 2024, and we expect to continue to grow revenue faster than we spend on content, so we expect margins to improve in 2025.



Yardeni Warns Of Foreign Inflows

The following graph and commentary below, courtesy of Ed Yardeni, help explain recent dollar strength. However they also provide a warning for stock prices. Per Ed:

?Over the past three months, foreigners purchased US equities at a record pace of \$76.5 billion (chart). One note of caution: Their buying has a record of being a contrary indicator. They tend to be big buyers right before bear markets.?

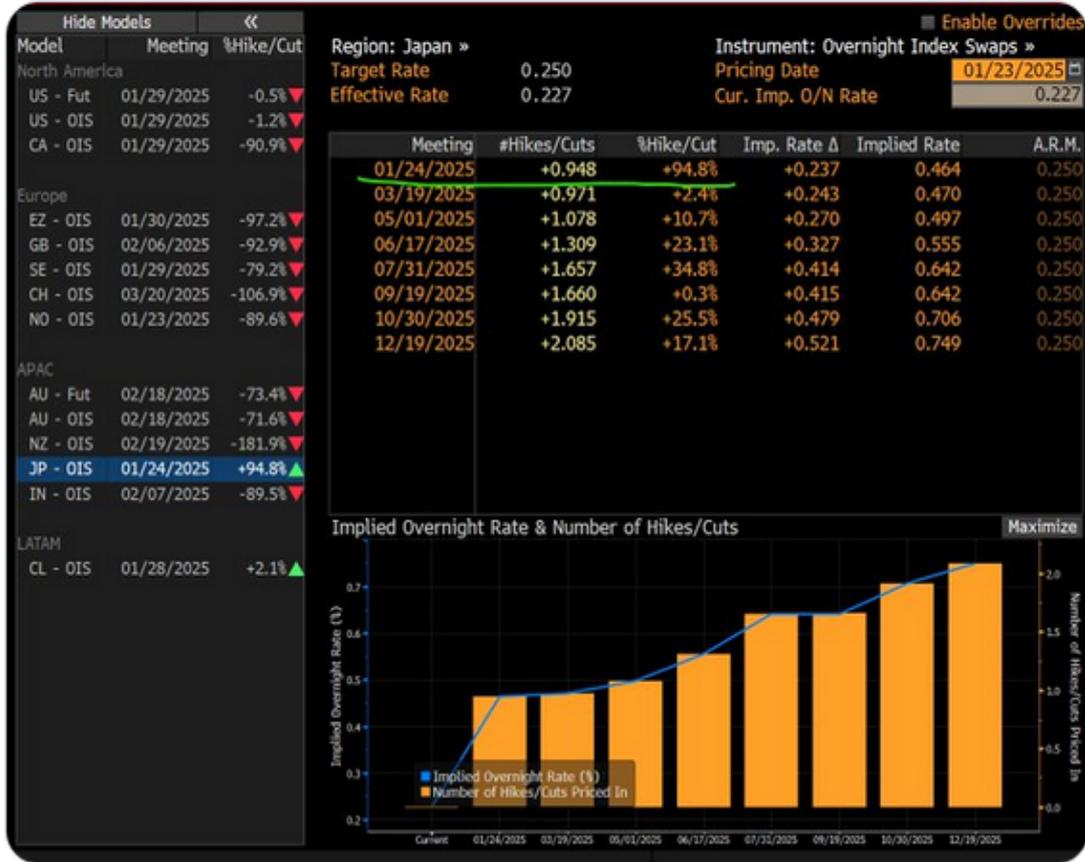


Tweet of the Day



Brent aka Blacklion @BlacklionCTA · 11m

• BOJ meeting tomorrow (overnight USA) with a ~95% chance of a hike. Should have the hair up on our necks. The only thing 95% certain with BOJ is uncertainty.



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