

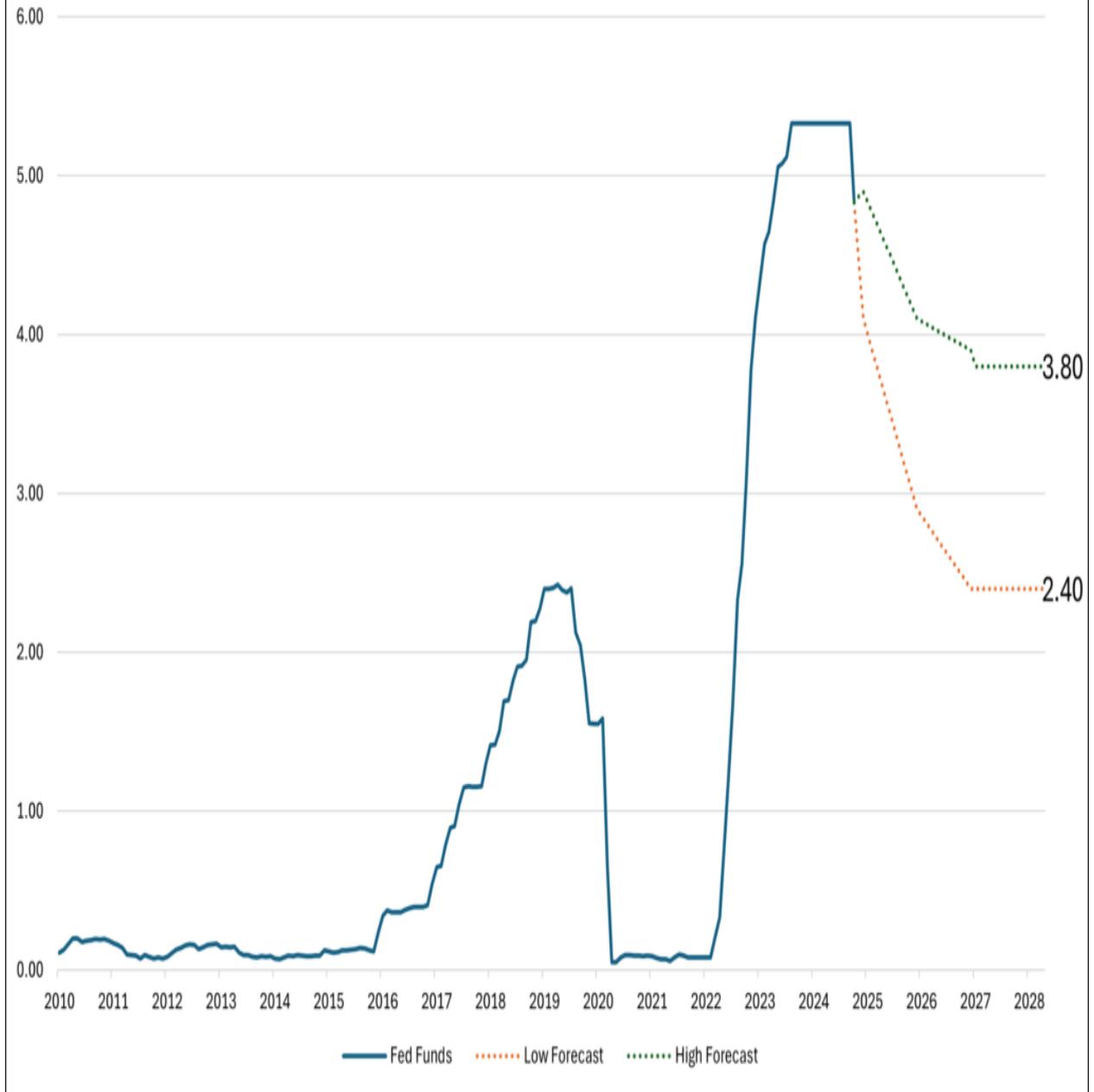


The Feds Forecast Makes Little Sense

With a staff of over 400 economic Ph.D.s and seasoned leadership, many believe the Fed has a firm grasp on future economic and inflation trends. Accordingly, they must have a good idea of what the future holds for interest rates. Unfortunately, we share a little secret: the Fed's latest Fed Funds forecast makes little sense. Consider the Fed's current long-run GDP and PCE price forecasts, which are 1.80% and 2.00%, respectively. In 2019, before the pandemic, the Fed's long-range forecast for GDP was 1.90% and PCE at 2.00%. In other words, growth prospects slipped slightly, but nothing materially changed. However, despite the same economic and inflation outlook, the lowest long-range Fed Funds rate forecast for the 19 Fed members is 2.40%, well above the average Fed Funds rate in the post-finance crisis era.

We noted that the low forecast is 2.40%, but consider the median is 2.90%, and the highest forecast is 3.80%. Why does the Fed think the Fed Funds rate will be significantly higher than their economic growth and inflation forecasts? We agree with the Fed forecast of sub-2 % economic growth and low inflation. Therefore, we also think Fed Funds will likely range between 0% and 2% over the longer run. Given that the Fed Funds futures market generally aligns with the Fed's forecast and that the Fed and Fed Funds futures markets have poor prediction track records, the bond market may grossly overestimate future yield levels.

Fed Funds and Fed Expectations



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*
	AZO	AutoZone, Inc.	\$51,933,279,852	Aug/2024	\$53.59	12	9/19/2023	\$46.46
	KBH	KB Home	\$6,740,513,815	Aug/2024	\$2.04	6	9/20/2023	\$1.80
	THO	Thor Industries, Inc.	\$5,710,782,863	Jul/2024	\$1.35	7	9/25/2023	\$1.68

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Economy

Time	Event	Impact	Actual	Consensus	Previous
TUESDAY, SEPTEMBER 24					
13:00	USD Fed's Bowman speech				
13:00	USD Housing Price Index (MoM) (Jul)		-	0.2%	-0.1%
14:00	USD Consumer Confidence (Sep)		-	-	-

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Market Trading Update

As noted yesterday, the stock market remains bullishly biased and is reaching new all-time highs. The thesis is that the Fed rate cuts will benefit stocks by providing monetary accommodation at a time when economic growth remains strong. However, oil prices have continued to suggest that the economy is weakening. As economic demand weakens, so does oil demand. It is worth noting that oil prices have fallen over the last 50 years when the Federal Reserve cut rates, even during the *soft landing* of 1995. While much will depend on the aggressiveness of those rate cuts and, ultimately, the outcome for the economy, oil prices will be worth watching for clues as to the Fed's success or failure.

\$WTIC Light Crude Oil - Continuous Contract (EOD) CME

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20-Sep-2024

Open 71.18 High 71.46 Low 70.37 Close 71.00 Volume 29.0M Chg -0.16 (-0.22%)



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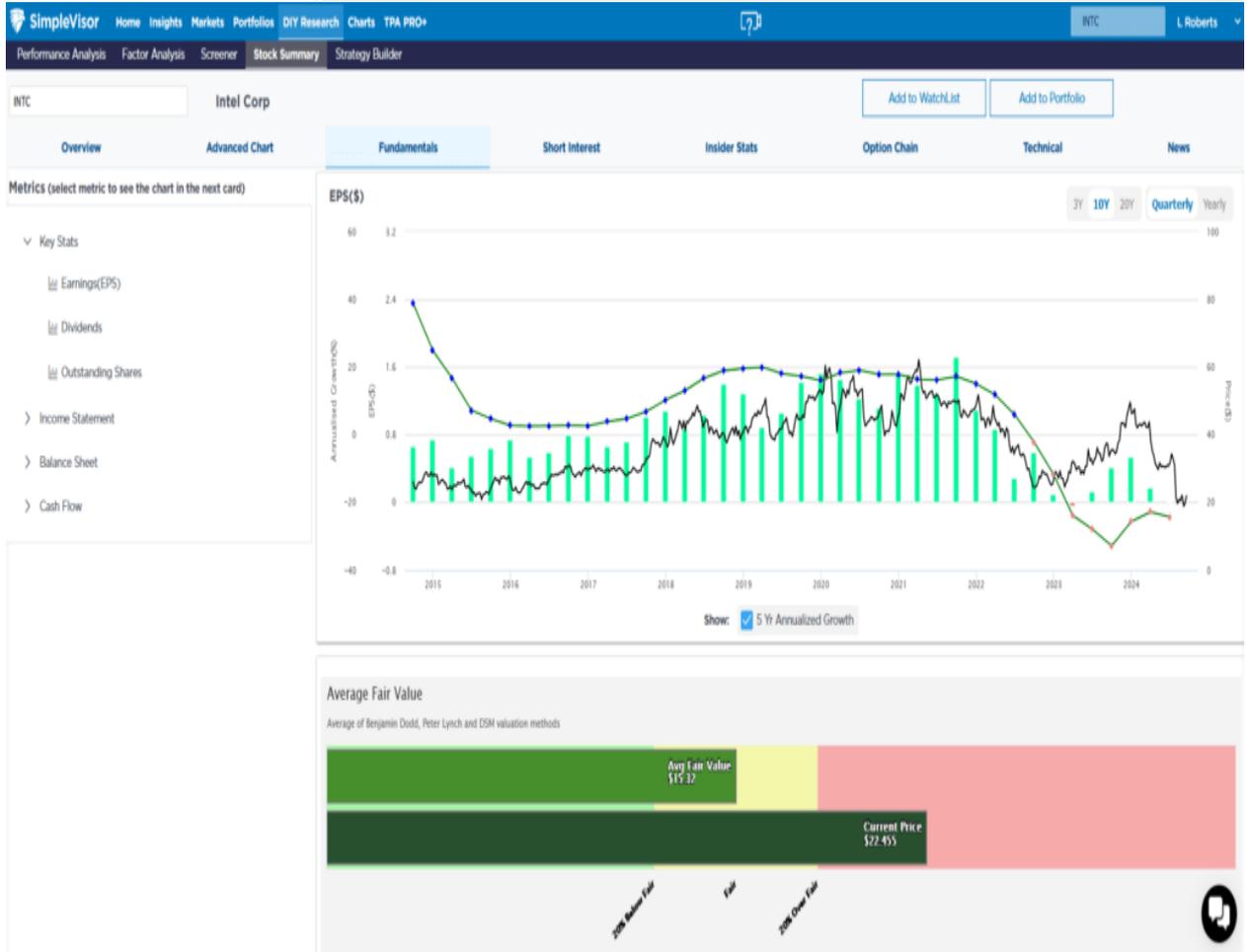
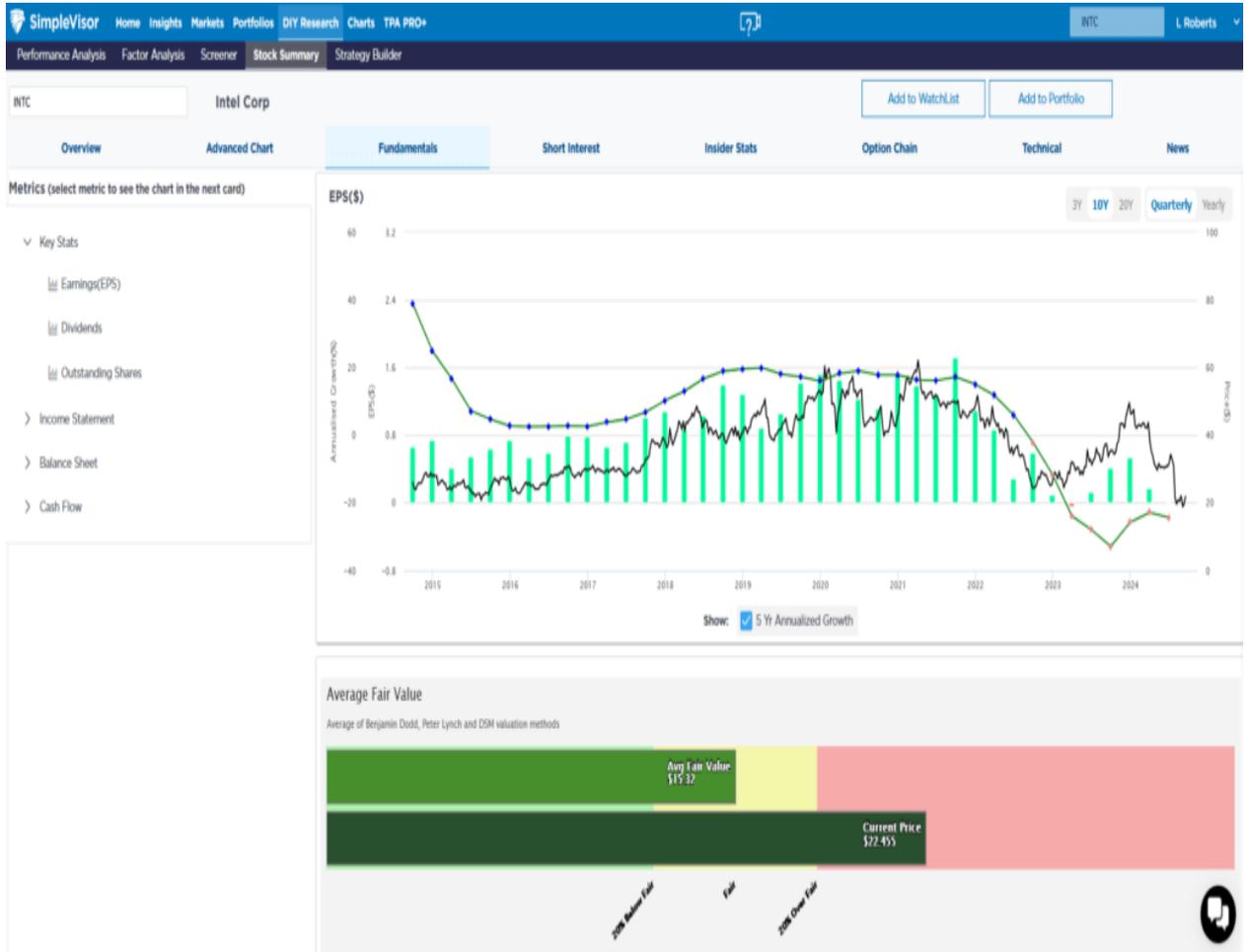
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Intel Is In Play

Intel shares are being bid up as rumors are floating around the market that Qualcomm is exploring a takeover of the chip company. Furthermore, it is reported that Apollo Global Management has offered to make a multi-billion dollar investment in the company. Per Bloomberg, the offer could be as much as five billion dollars.

From a share price perspective, INTC may seem like a bargain compared to its competitors, who have seen significant upside due to AI products. However, the second graph from [SimpleVisor](#) shows the company's earnings have floundered over the last two years. Furthermore, despite the seemingly low price, the SimpleVisor fair value model calculation is well below its current price. The stock wasn't up much on Monday despite the news. Might the market expect any investment or buyout to occur around current price levels?





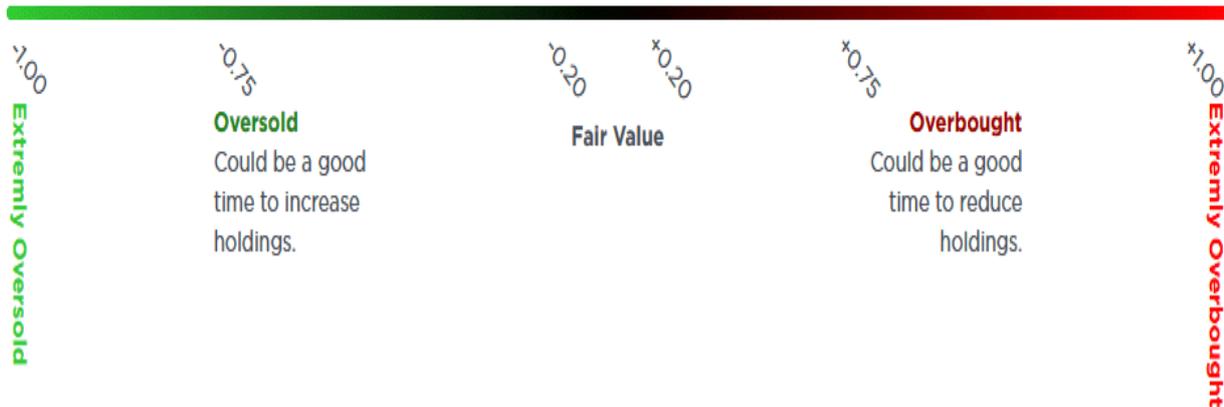
SimpleVisor Analysis

The market breadth, as judged by the [SimpleVisor](#) relative sector technical scores, remains in good shape. Accordingly, the broad market rally may likely continue as judged by the number of relative scores near zero. However, the absolute score for a few sectors is getting moderately overbought. For example, discretionary, utilities, and industrials have scores approaching 80. Therefore, we may see those sectors cool off, allowing sectors with lower scores, such as energy, to play some catch-up.

The factor analysis confirms our sector analysis above. Note the tight grouping of factors around the zero y-axis, denoting good market breadth. Moreover, like the sector analysis, the absolute scores are creeping into overbought territory.

Symbol Name	Top 10 Holdings	Absolute Score \updownarrow	Relative Score (vs SPY) \downarrow	Chart <input checked="" type="checkbox"/>
XLY Consumer Discretionary		0.72 \downarrow	0.44 \downarrow	<input checked="" type="checkbox"/>
XLU Utilities		0.79 \downarrow	0.35 \downarrow	<input type="checkbox"/>
XLI Industrials		0.77 \downarrow	0.30 \downarrow	<input type="checkbox"/>
XLB Materials		0.56 \downarrow	0.08 \downarrow	<input type="checkbox"/>
XLF Financial		0.67 \downarrow	0.08 \downarrow	<input type="checkbox"/>
XLRE Real Estate		0.45 \downarrow	0.08 \downarrow	<input type="checkbox"/>
SPY		0.54 \downarrow	0.00 \downarrow	<input type="checkbox"/>
XLC Communication Services		0.65 \downarrow	-0.04 \downarrow	<input type="checkbox"/>
XLK Technology		0.39 \downarrow	-0.04 \downarrow	<input type="checkbox"/>
XTN Transportation		0.28 \downarrow	-0.15 \downarrow	<input type="checkbox"/>
XLP Consumer Staples		0.29 \downarrow	-0.25 \downarrow	<input type="checkbox"/>
XLE Energy		0.10 \downarrow	-0.27 \downarrow	<input type="checkbox"/>
XLV Health Care		0.25 \downarrow	-0.33 \downarrow	<input checked="" type="checkbox"/>

How it works

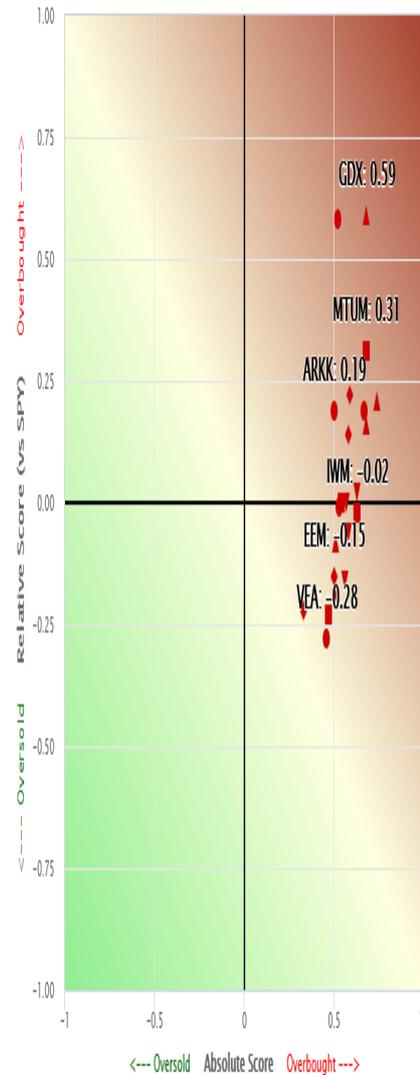


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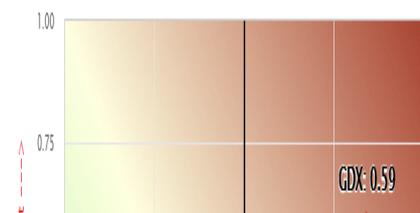
Symbol Name	Top 10 Holdings	Absolute Score ↑↓	Relative Score (vs SPY) ↑↓	Chart ✓
VEA	Developed Markets	0.46	-0.28	✓
EFA	EAFE	0.47	-0.23	✓
SPLV	Low Beta [Low Vol.]	0.33	-0.22	✓
VYM	High Dividend Yield	0.51	-0.18	✓
IVE	S&P 500 Value	0.56	-0.16	✓
EEM	Emerging Markets	0.50	-0.15	✓
MDY	Mid Cap 400	0.51	-0.08	✓
MDYG	Mid Cap Growth	0.58	-0.06	✓
IWM	Small Caps	0.63	-0.02	✓
MDVV	Mid Cap Value	0.53	-0.01	✓
SPY		0.54	0.00	✓
VBR	Small Cap Value	0.57	0.00	✓
RSP	Equal Weight S&P 500	0.63	0.02	✓
MGK	Mega Cap Growth	0.58	0.14	✓
PKW	Buyback Achievers	0.68	0.16	✓
ARKK	Disruptive Tech	0.50	0.19	✓
SPHB	High Beta	0.67	0.19	✓
VBK	Small Cap Growth	0.74	0.21	✓
IVW	S&P 500 Growth	0.59	0.22	✓
MTUM	Momentum	0.68	0.31	✓
IVV	Core S&P 500	0.52	0.58	✓
GDX	Gold Miners	0.68	0.59	✓



Tail Length 3 Weeks



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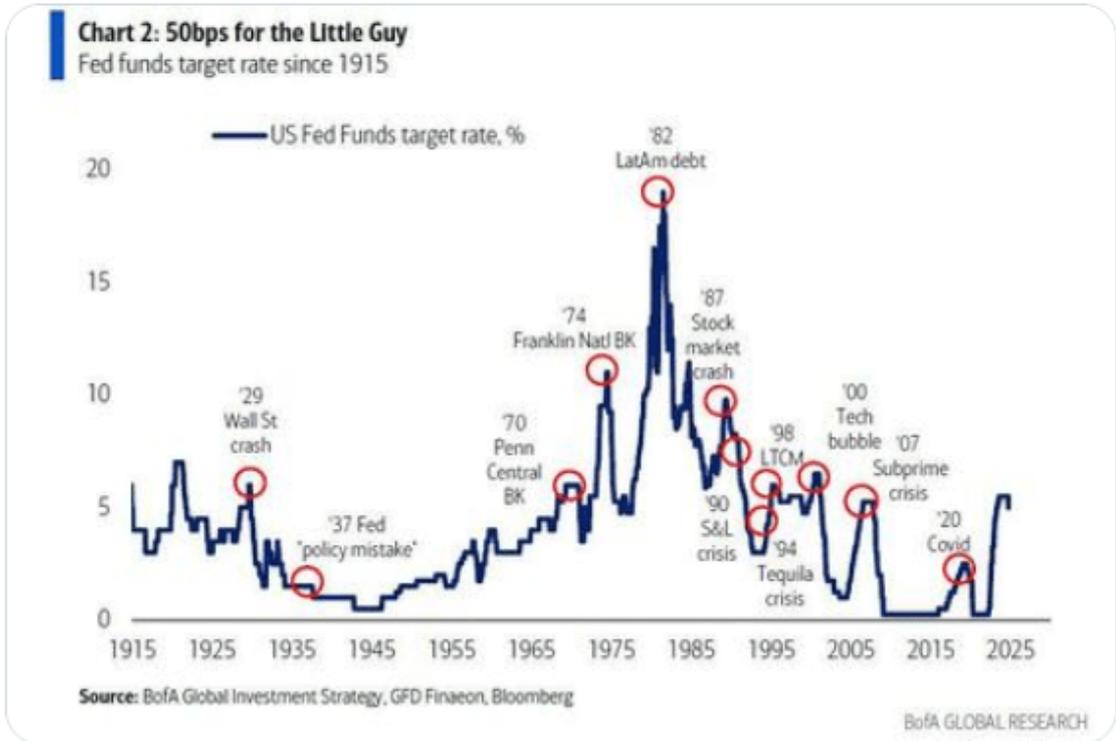


Tweet of the Day



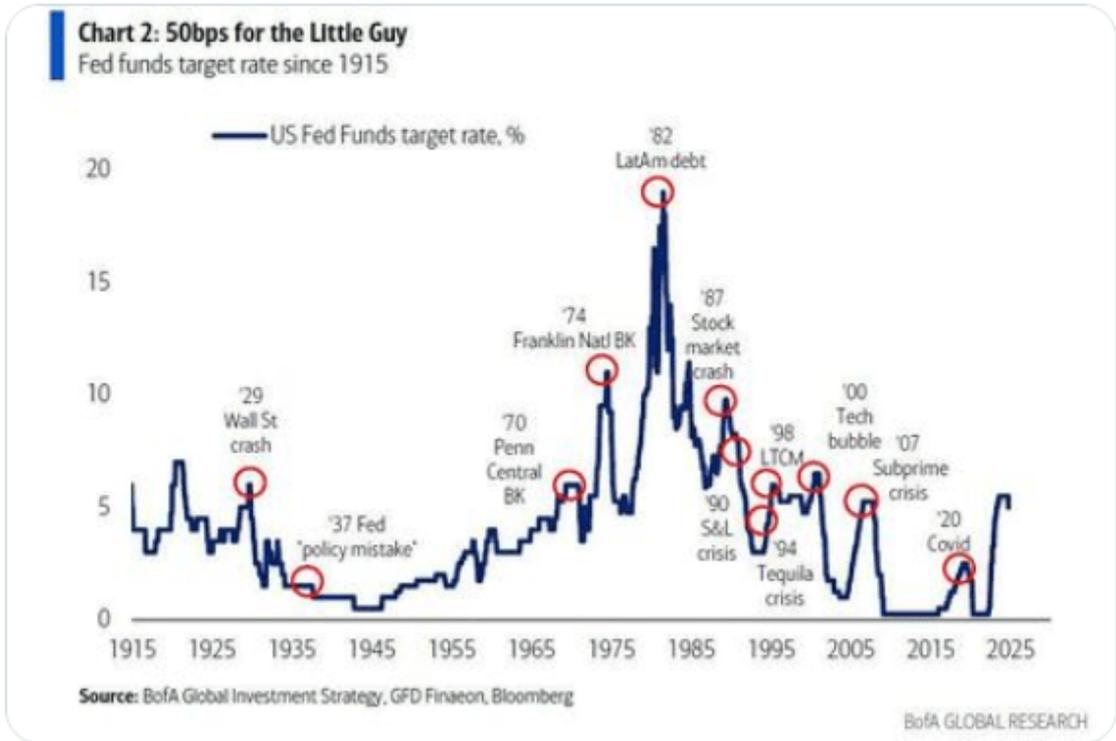
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#WallStreet loves 50bps #rate #cuts when there is no evidence of #panic. However, historically, the panic has showed up later.



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