

The Quantum Computing Bubble Is Leaking

The latest stock market bubble may be one of the shortest-lived bubbles in recent times. Quantum computing stocks rose in November and took off in December when Google touted the immense power of quantum computing. The following is from Google ([LINK](#)):

Willow performed a standard benchmark computation in under five minutes that would take one of today's fastest supercomputers 10 septillion (that is, 10^{25}) years ? a number that vastly exceeds the age of the Universe.

Such an incomprehensible boost to computing power was met with awe. But a month later, came three sentences from Jensen Huang, CEO of Nvidia, popping the bubble in quantum stocks. Per Huang:

If you said 15 years for very useful quantum computers, that would probably be on the early side. If you said 30 is probably on the late side. But if you picked 20, I think a whole bunch of us would believe it.

Quantum computing research and development is alive and well. However, if Huang is correct, it will be many years before companies see profits from their development. As we share below, some smaller stocks riding high on the quantum wave have lost nearly 50% in days. If Huang's time frame is correct, many smaller companies, like those below, are unlikely to survive. But if wrong, the market may be presenting investors with a precious gift.



What To Watch Today

Earnings

Friday Jan 10	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Constellation Brands STZ.US		3.33	3.24		2.55B	2.47B	\$40.08B	Q3	AM
Delta Air Lines DAL.US		1.75	1.28		14.13B	13.7B	\$38.99B	Q4	AM
SYNEX SNX.US		3.06	3.13		15.25B	14.41B	\$10.43B	Q4	AM
Walgreens Boots Alliance WBA		0.39	0.66		37.35B	36.7B	\$8.1B	Q1	PM
WD-40 WDFC.US		1.31	1.28		147.4M	140.4M	\$3.19B	Q1	PM

Economy

Friday January 10 2025			Actual	Previous	Consensus	Forecast		
07:30 AM	US	Non Farm Payrolls DEC		227K	160K	200K		
07:30 AM	US	Unemployment Rate DEC		4.2%	4.2%	4.30%		
07:30 AM	US	Average Hourly Earnings MoM DEC		0.4%	0.3%	0.3%		
07:30 AM	US	Average Hourly Earnings YoY		4%	4%	4%		
07:30 AM	US	Participation Rate DEC		62.5%		62.8%		
07:30 AM	US	Average Weekly Hours DEC		34.3	34.3	34.3		
07:30 AM	US	Government Payrolls DEC		33K		15K		
07:30 AM	US	Manufacturing Payrolls DEC		22K	5K	29K		
07:30 AM	US	Nonfarm Payrolls Private DEC		194K	135K	185K		
07:30 AM	US	U-6 Unemployment Rate		7.8%		7.9%		
09:00 AM	US	Michigan Consumer Sentiment Prel JAN		74.0	73.8	75		
09:00 AM	US	Michigan 5 Year Inflation Expectations Prel JAN		3%		3.2%		
09:00 AM	US	Michigan Consumer Expectations Prel JAN		73.3		74		
09:00 AM	US	Michigan Current Conditions Prel JAN		75.1		78		
09:00 AM	US	Michigan Inflation Expectations Prel JAN		2.8%		3.0%		

Market Trading Update

The market was [closed yesterday](#) in memory of Jimmy Carter. However, it will start trading this morning sitting on the rising support trend line from the August lows. That support level is weak but has held over the last two weeks. With the market decently oversold on a momentum basis, we could see a potential rally by early next week. However, if the market breaks below the current support level, the next support is the 100-DMA near 5800. However, even if the market rallies, it will almost immediately run into resistance at the 50- and 20-DMA. Furthermore, the 20-DMA is very close to crossing below the 50-DMA, which will limit any potential rally.

The market is at a critical juncture. If the bulls are going to show up, they need to do so by next week. Otherwise, the risk of a further correction process becomes more likely. While nothing suggests the market is at risk of a deeper correction, it doesn't mean it can't happen. Investors should likely step up their risk management protocols over the next two weeks until the market declares which direction it is moving next.

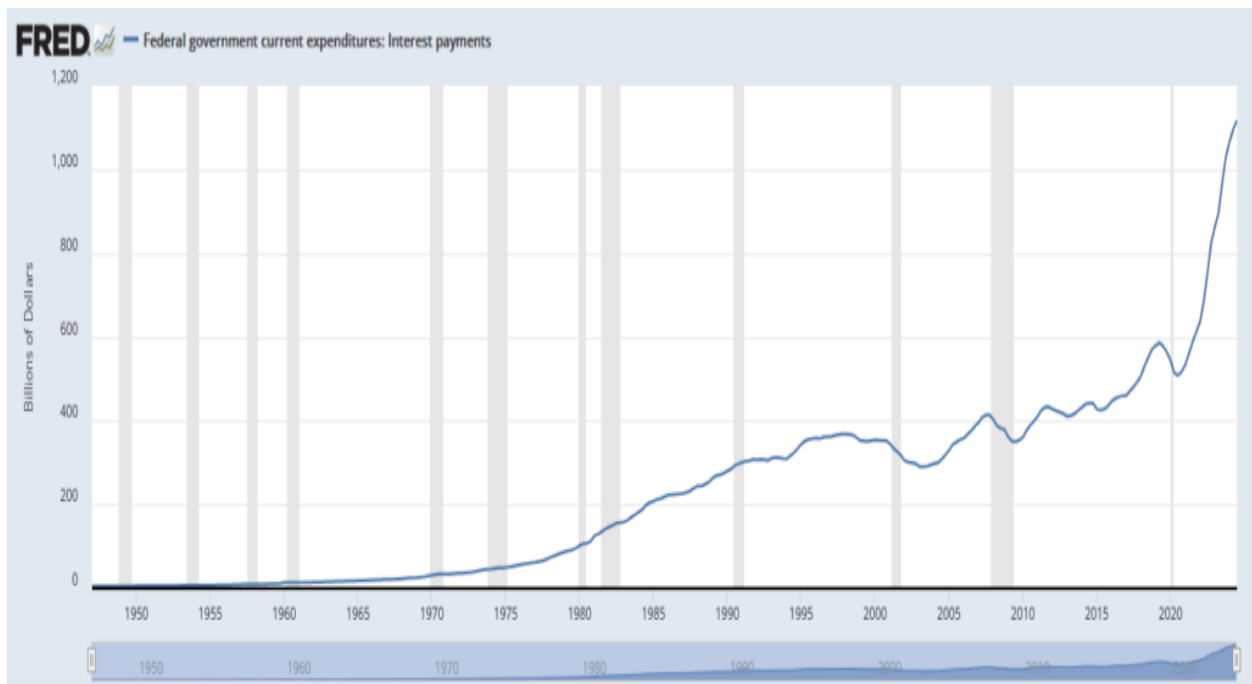


DOGE Will Fall Short Of Its Promises

Elon Musk, the co-leader of the Department of Government Efficiency (DOGE), warned that his original statement of finding \$2 trillion in government savings may be too optimistic. He claims that \$2 trillion was a "best-case outcome." Moreover, he thinks there is only a "good shot" of cutting \$1 trillion.

Musk and his partner Vivek Ramaswamy didn't grasp the complexity of cutting the deficit by such a large amount. Furthermore, they didn't seem to appreciate the degree to which mandatory programs such as Medicaid would be hit. Reducing spending on mandatory programs is very difficult and likely politically harmful.

However, there is one way to cut the deficit, which few are discussing. The graph below shows that the government interest expense on its debt has surged by \$600 billion alongside higher interest rates. The expense will climb as older, lower-rate debt matures and is replaced with new, higher-rate debt. But, if rates fall back to pre-Covid levels, a good chunk of the \$600 billion will evaporate. Therefore, the most effective and expedient tool for Musk is managing harmful deficit narratives to reduce the term premium in bonds and waiting for inflation to fall to 2% or below.



Navigating Market Volatility

Market volatility is an inherent part of investing, and while it can be unsettling, it's not necessarily a bad thing. For disciplined investors, periods of market fluctuation present opportunities for growth and long-term wealth building. To navigate these uncertain times, understanding the causes of volatility, managing your emotional responses, and employing sound [investment strategies](#) are crucial.

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Andrew Thrasher, CMT

@AndrewThrasher



Why technicians watch breadth data like the percent of stocks above long-term moving averages...

This data often begins to decline before price does and can show weak internal trend participation.

It can be resolved by one of two ways: A broadening out of participation (stocks rising), or by the Index 'catching down' to what internals are showing.



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